THURROCK BOROUGH COUNCIL DRAFT STATEMENT OF ACCOUNTS 2010/11

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EXPLANATORY FOREWORD

1. Statement of Accounts

The Code of Practice on Local Authority Accounting in United Kingdom 2010 requires publication of the following statements.

(i) The Statement of Responsibilities sets out the Authority's and the Chief Financial Officer's responsibilities for the Statement of Accounts.

(ii) The Movement in Reserves Statement summarises the movements in the different reserves of the Authority distinguishing between Usable and Unusable Reserves which are further defined and analysed in the Notes to the Financial Statements.

(iii) The Comprehensive Income and Expenditure Statement reports expenditure and income for each of the services provided by the Council and the Surplus or Deficit incurred on the Provision of Services. This statement includes the figures separately in the Housing Revenue Account.

(iv) The Balance Sheet shows the assets, liabilities, balances and reserves held by the Council at the financial year end, 31 March 2010. This statement includes Collection Fund balances attributable to the Authority.

(v) The Cash Flow Statement summarises the inflows and outflows of cash and cash equivalents arising from the Authority's revenue and capital transactions with third parties.

(vi) The Notes to the Financial Statements provide further analysis and explanation of the figures contained in the Financial Statements. Included at Note 1 is a summary of significant accounting policies which previously appeared as a separate financial statement.

(vii) The Housing Revenue Account summarises the income and expenditure relating to the local authority provision of social housing within the borough where the Council is the landlord.

(viii) The Collection Fund Account records the Council Tax and Business Rate transactions in the financial year. The statement also shows the distribution of the Council tax income to the Essex Police Authority and the Essex Fire and Rescue Authority.

(ix) The Annual Governance Statement sets out the framework within which the control environment is managed and reports on areas of strengths and weaknesses.

2. The Code of Practice on Local Authority Accounting in the United Kingdom 2010.

These accounts have been prepared in accordance with the Code of Practice 2010, published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which defines proper accounting practices for local authorities.

The major change in the 2010/11 accounts is that the Code of Practice 2010 has been drawn up to secure compliance of local authority accounts with International Financial Reporting Standards (IFRS) rather than with UK Generally Accepted Accounting Practices (UK GAAP). This has resulted in changes to the presentation of some of the financial statements, as evident above, and in the use of some different terminology.

The change arises because local authorities, in common with the whole of the UK public sector, were required, in the small print of the 2007 Budget "Red Book", to adopt IFRS as their statutory accounting "proper practices". The main purpose of this change is to make the national accounts of UK plc compatible with those of all EU member and most other countries globally. As ever, accounting standards are not static and convergence of IFRS with US GAAP is also ongoing in an endeavour to standardise accounting standards globally.

Those familiar with private sector accounting will be aware that companies have published their financial statements in compliance with IFRS for the last few years. However IFRS have had to be adapted for public sector usage and this has been done with the guidance of International Public Sector Accounting Standards (IPSAS).

This change has necessitated the restatement of the 2009/10 accounts from their published UK GAAP compliance to IFRS compliance, including the publication of a restated opening Balance Sheet as at 1 April 2009. This restatement of the comparatives for 2009/10 has been appraised by our external auditors to ensure that they project an IFRS compliant true and fair view.

3. Financial Performance

General Fund

The net cost of services in the Income and Expenditure account has been presented in accordance with the Best Value Accounting Code of Practice (BVACOP). This is a different basis to the financial monitoring information presented to Cabinet on 9 June 2010, but reflects the same outcomes.

The Council set its budget for the year having identified £9m in savings and, with economic factors such as high inflation, less income due to restricted budgets at the Primary Care Trust and then an in-year reduction of government grant due to the national austerity measures, a further £4m was identified.

Despite these pressures, through tighter financial control and a series of austerity measures, the Service Related Directorates underspent by £1.031m. This included excess savings achieved at the time of the £4m savings exercise but has been reduced by the cost of severance charged to the revenue account brought about by a number of restructures undertaken to reduce costs in future years.

Directorate	**Budget £m**	**Outturn £m**	**Variance Reported to Cabinet £m**
Change and Improvement	21.533	21.194	(0.339)
Children, Education and Families	26.437	26.059	(0.378)
Community Well-being	38.091	37.838	(0.253)
Finance and Corporate Governance	6.174	6.002	(0.172)
Sustainable Communities	24.509	24.158	(0.351)
Excess Savings Achieved from £4m Savings Exercise	-	(0.509)	(0.509)
Severance Costs	-	0.971	0.971
Directorate Outturn	**116.744**	**115.713**	**(1.031)**

After a significant overspend in 2009/10, the Council's reserves for general use had reduced to just £2.187m. The Council's Chief Financial Officer had set a target for 31

March 2011 at £5m with the need to reach £9m by 2015/16. These reserves are to meet unexpected expenditure or budget pressures, but should be seen as 'insurance' for one off events and not as an annual contributor to ongoing expenditure.

In addition to the Directorate underspend, there were two further surpluses achieved during the year:

- The Council budgeted £0.485m towards a pay rise in 2010/11. However, as part of the national and local austerity measures, a pay rise was not awarded thus achieving a corresponding saving; and

- On 13 August 2010 the Council underwent a debt restructuring exercise and repaid £84,211,856 of PWLB loans at a premium of £17,487,214 plus accrued interest of £1,172,577, a total repayment of £102,871,647. This was, in part, funded by a reduction in investments but has mainly been covered by short term debt. Although the restructure is likely to cost the Council money over a 40 year period, the aim was to realise significant savings in the short term to increase reserves and stabilise the Council's financial position. There was a net saving of £1.415m in 2010/11 and a figure in excess of £2m is expected in 2011/12.

	Budget £m	**Outturn £m**	**Variance Reported to Cabinet £m**
Directorate Outturn	**116.744**	**115.713**	**(1.031)**
Pay Award Provision	0.485	-	(0.485)
Net Debt Restructuring/Capital Financing	-	(1.415)	(1.415)
Contribution to General Reserves	**117.229**	**114.298**	**(2.931)**

Together with the balance at the beginning of the financial year of £2.187m, this gives a closing balance of £5.118m in line with the Responsible Financial Officer's recommended level for this time.

Housing Revenue Account

The Housing Revenue Account (HRA) shows the income and expenditure incurred on Council housing. The table below shows a budget surplus for 2010/11:

	Budget £m	**Outturn £m**	**Variance Reported to Cabinet £m**
Rent Income	(40.901)	(40.836)	0.065
Repairs and Maintenance	12.230	12.248	0.018
Supervision and Management	10.665	10.522	(0.143)
Housing Subsidy Payments	12.706	12.713	0.007
Bad Debt Provision	0.702	0.702	-
Capital Financing	4.548	4.543	(0.005)
Interest and Investments	0.087	0.061	(0.026)
Total	**0.037**	**(0.047)**	**(0.084)**

As way of further explanation, the reasons for the key variance within the account are as follows:

Supervision and Management – this reflects some vacant posts that were held vacant to address expected cost pressures, as well as the result of austerity measures introduced during the year.

The HRA retains a level of reserves in accordance with its medium term financial strategy. Together with the balance at the beginning of the financial year of £2.410m, this gives a closing balance of £2.457m in line with the Responsible Financial Officer's recommended level for this time.

Capital Expenditure

Capital expenditure for 2010/11 totalled £27.960m. The following table sets this out by directorate and show the sources of financing.

Directorate	**Budget £m**	**Outturn £m**	**Variance Reported to Cabinet £m**
Children, Education and Families	11.562	8.555	3.007
Sustainable Communities	14.994	11.230	3.764
Community Well-Being	6.031	3.081	2.950
Community Well-Being (HRA)	8.943	4.932	4.011
Finance and Corporate Governance	-	-	-
Change and Improvement	0.342	0.162	0.180
Total	41.872	27.960	13.912
Source of Finance			
Prudential Borrowing	8.272	5.860	2.412
Supported Borrowing (SCER)	7.555	5.625	1.930
Usable Capital Receipts	0.493	-	0.493
Earmarked Usable Capital Receipts	1.050	0.058	0.992
Revenue Contributions to Capital (GF)	0.131	0.148	(0.017)
Revenue Contributions to Capital (HRA)	0.208	-	0.208
Major Repairs Reserve	7.362	3.556	3.806
Grants	15.628	12.029	3.599
Developers Contributions	0.500	0.347	0.153
Trusts	0.480	0.337	0.143
Capital Expenditure Reserve	0.193	-	0.193
Total	41.872	27.960	13.912

The following are key headlines of capital investment:

- £0.992m spent at Hassenbrook Secondary school completing the replacement of the Information Technology block. The gross spend for this project over the period 2008/09 to 2010/11 is £1.8m;

- £0.185m spent on the completion of the South Stifford children's centre. For the period 2008/09 to 2010/11, a total of £0.775m has been spent completing this project;

- £0.725m spent on improving children's play areas throughout the borough with the assistance of the Governments "Playbuilder" grant and other external resources. This spend includes £0.173m for the installation of an "Addizone" at Corringham Town Park;

- £4.111m spent on plant and equipment to bring the waste service back in-house;

- £1.456m spent on vehicle and plant replacements as part of a phased programme to reduce hire costs to the revenue account;

- £4.932m spent on improvements to council dwellings including additional window, kitchen and bathroom replacement, more efficient heating systems to reduce fuel poverty, additional security measures to decrease the fear of crime;

- £0.220m spent on the purchase and installation of playground equipment at High House, Purfleet, funded from S106 developers contributions;

- £0.600m secured from the PCT for Winter Pressures/ reablement. This has been used, amongst other things, to eliminate the waiting list for Disabled Facilities grants (DFG) – which allow vulnerable service users to stay in their own homes for longer; and

- There has been significant investment into front doors by replacing older models with modern secure by design versions within the housing stock.

Pensions

Thurrock Council is a member of the Local Government Pension Scheme that is administered by Essex County Council. There are a number of entries included within the accounts that are further explained in note 8 to the accounts but, simply, the Income and Expenditure Account reflects the amounts due for the year and paid out whilst the Balance Sheet reflects the outstanding liability on the fund.

This liability is the estimate of future payments to retired employees against future income to the fund from contributions and investments. The government commissioned a review on public sector pensions and it remains an area of debate. However, one significant change that has already been implemented is a change in the calculation from using RPI to CPI. This has had the effect of reducing the payments to retired employees in the future and has thus led to a reduction in the liability.

This has been reflected in the accounts but has created a one year anomaly in the Income and Expenditure Account. The reduction in liability of £19m that has arisen from this change has been credited to the Non Distributed Costs as required by accounting convention and distorts the cost of services in terms of comparability.

4. Future Financial Issues

Economic Outlook

The outlook for local authority funding remains bleak. The two main sources of income to fund the general services are government grant and council tax, both of which are under pressure with the former being reduced on an annual basis by central government and pressure on councils to freeze council tax.

Councils are also affected by national pressures. Inflation is running high and is impacting on both day to day costs, especially in terms of fuel and energy, as well as increasing the costs of contracts that are often linked to inflation indices.

Whilst low interest rates are currently working in the Council’s favour due to the debt restructuring exercise, the inevitable increase over the coming months and years will add further pressure.

General Fund

Despite having had to identify £13m of savings in 2010/11, a further £9m had to be identified for 2011/12 adding yet more pressure to front line services. This was largely due to reductions in government funding and increases in both demand and inflation.

The Medium Term Financial Strategy already shows a likely deficit in excess of £10m for 2012/13 and a further £20m over the following three years.

The Council is now driving forward its Transformation Programme including:

Back Office Transformation - This portfolio is about significantly changing the way we deliver back office services to our staff including the make-up of our infrastructure (IT systems and applications) and processes.

Service Transformation - This portfolio examines how we deliver our services to our customers including channels and locations.

Asset Transformation - This portfolio is looking at the Council's asset base (land, offices and properties) and how we rationalise and use them more effectively to drive our business.

Supply chain transformation - The Council spends about three times the amount with third parties as it does on staff. This portfolio examines how we interface with the market and how we can drive better value for money from our spend.

New ways of working - This focuses on our staff and how we can all operate differently and more cost-effectively in a modern Council.

Although these workstreams will realise significant savings it is also likely that there will be service impact to the service users.

Housing Revenue Account

The main issue for the Housing Revenue Account is the proposed financial reform. Currently, the government, through the subsidy system, claws funding back from authorities that have significant annual surpluses, normally through having low levels of debt, and distributing these surpluses to the authorities with significant operating losses caused by high levels of debt.

The proposal is for a one off distribution of debt to equalise this out and the abolition of the subsidy system.

Thurrock Council currently pays across in excess of £11m to the government and, under current proposals, will be able to keep this surplus but will inherit circa £150m in new debt. Despite this, it is considered that Thurrock will have a net annual gain in excess of £2m.

Capital and Treasury

Regarding Capital, there is a significant reduction in grants from central government that will have an impact on all services but specifically Education.

The Council has recently launched its Asset Management Strategy. Further work has been on working on improving the structure of asset management and the rationalising of assets including to facilitate service provision in the communities and the identification of surplus assets for disposal.

This should bring significant savings in operating costs whilst also realising proceeds from disposals for capital investment in the Council's priorities.

Regarding Treasury, the Council's current borrowing for capital purposes stands at £114.0m (£30m of long term debt and £84m of temporary debt held as part of the recent PWLB debt restructuring). The Council's overall Capital Financing Requirement (CFR) stands at £134.9m with the Council therefore being £20.9m inside of the CFR.

The CFR is estimated to increase to £136.6m in 2011/12 and then move down to £133.4m in 2012/13. At the current time it is not anticipated to increase borrowing for capital purposes above the level of £114m in future years.

The Council is working with its advisors and will take action to transfer to non-temporary debt when considered the right time to do so. In the meantime, the budget surplus created from the low temporary rates continues to contribute towards the level of reserves.

The Council is also working with its advisors on the financial reform to the Housing Revenue Account. Should the proposals be approved by government, the Council will have to borrow circa £150m. The timing and nature of this borrowing could be crucial on such a sum with every 0.1% affecting the borrowing costs by £0.15m.

5. Specific Accounting Issues

In 2009/10, the Council elected to transfer the £817,000 cost of the waste procurement exercise to the balance sheet instead of charging directly to revenue. The rationale was that this 'investment' was to realise savings of circa £2m for each of the following seven years and that the cost would be more meaningful set against these savings. £117,000 was charged to the general fund in 2010/11 and the balance at 31 March 2011 stands at £700,000.

There were no significant changes to statutory functions that have impacted on the accounts.

There have been no significant provisions, contingencies or write offs during the year.

6. Collection Fund

The Council is required to maintain a Collection Fund for the collection and disbursement of local taxes. The fund has its own separate income and expenditure account but the Collection Fund balances are consolidated in the Council's balance sheet. The Council's share of the Collection Fund deficit at the end of the year was £0.59m compared with a deficit at the end of 2009/10 of £0.239m. The balance on the Collection Fund will be carried forward and, taking into account the outturn for 2011/12, be used to inform the budget setting for 2012/13.

As required by the 2010 Code of Practice of Local Authority Accounting, the arrears, prepayments and balance are shared between preceptors and the council and this has been reflected on the face of the balance sheet.

7. Governance Statement

The Accounts and Audit Regulations, require English authorities to "conduct a review at least once a year of the effectiveness of its system of internal control". The statement sets out the framework within which the control environment is managed and reports on areas of strengths and weaknesses.

8. Further Information

Additional information is available from the Director of Finance and Corporate Governance, Civic Offices, New Road, Grays.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs; in this Authority, that officer is the Director of Finance and Corporate Governance,

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets, and

- approve the Statement of Accounts.

The Director of Finance and Corporate Governance's Responsibilities

The Director of Finance and Corporate Governance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (the Code).

In preparing this Statement of Accounts the Director of Finance and Corporate Governance has:

- selected suitable accounting policies and then applied them consistently,

- made judgments and estimates that were reasonable and prudent, and

- complied with the Code.

The Director of Finance and Corporate Governance has also

- kept proper accounting records which were up to date, and

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Director of Finance and Corporate Governance's Certificate

I certify that the Statement of Accounts set out on pages 12 to 115 present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2011.

Director of Finance and Corporate Governance

Date: 30 June 2011

MOVEMENT IN RESERVES STATEMENT

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into Usable Reserves, which are those that can be applied to fund expenditure or to reduce local taxation, and Unusable Reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account Balance for council tax setting and dwellings rent setting purposes. The Net Increase or Decrease before Transfers to Earmarked Reserves shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Authority.

Movement in Reserves Statement 2009/10 and 2010/11 Table 1	**General Fund Balance**	**Earmarked General Fund Reserves**	**Housing Revenue Account Balance**	**Capital Receipts Reserve**	**Major Repairs Reserve**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2009	**(2,000)**	**(21,277)**	**(2,103)**	**(964)**	**(40)**
Movement in Reserves during 2009/10:					
(Surplus)/Deficit on the Provision of Services	15,523	0	5,621	0	0
Other Comprehensive Income and Expenditure	35,863	0	(323)	0	0
Total Comprehensive Income and Expenditure	**51,386**	**0**	**5,298**	**0**	**0**
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 7)	(42,536)	0	(5,604)	(371)	(2,857)
Adjustment for Deferred Purchase Accounting (£158k), HRA Pensions (-£44k) and roundings	105	0	0	0	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**8,745**	**0**	**(306)**	**(371)**	**(2,857)**
Transfer to/(from) Earmarked Reserves Note 21)	(8,932)	8,932	0	0	0
(Increase)/Decrease in 2009/10	**(187)**	**8,932**	**(306)**	**(371)**	**(2,857)**
Balance at 31 March 2010	**(2,187)**	**(12,345)**	**(2,409)**	**(1,335)**	**(2,897)**
Movement in Reserves during 2010/11:					
(Surplus)/Deficit on the Provision of Services	(6,414)	0	89,418	0	0
Other Comprehensive Income and Expenditure	(21,519)	0	(374)	0	0
Total Comprehensive Income and Expenditure	**(27,933)**	**0**	**89,044**	**0**	**0**
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 7)	20,752	0	(89,183)	(1,011)	(909)
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(7,181)**	**0**	**(139)**	**(1,011)**	**(909)**
Transfer to/(from) Earmarked Reserves (Note 21)	2,721	(2,721)	0	0	0
Increase/Decrease in 2010/11	**(4,460)**	**(2,721)**	**(139)**	**(1,011)**	**(909)**
Balance at 31 March 2011	**(6,647)**	**(15,066)**	**(2,548)**	**(2,346)**	**(3,806)**

MOVEMENT IN RESERVES STATEMENT - continued

Movement in Reserves Statement 2009/10 and 2010/11 (continued) Table 2	**Capital Grants Unapplied**	**Total Usable Reserves (including Table 1)**	**Unusable Reserves Total**	**Total Authority Reserves**
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 April 2009	**(7,357)**	**(33,742)**	**(731,435)**	**(765,177)**
Movement in Reserves during 2009/10:				
(Surplus)/Deficit on the Provision of Services	0	21,144	0	21,144
Other Comprehensive Income and Expenditure	0	35,440	0	35,540
Total Comprehensive Income and Expenditure	**0**	**56,684**	**0**	**56,684**
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 7)	(16,551)	(67,919)	67,919	0
Adjustment for Deferred Purchase Accounting (£158k), HRA Pensions (-£44k) and roundings	0	(105)	0	(105)
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(16,551)**	**(11,339)**	**67,919**	**56,580**
Transfer to/(from) Earmarked Reserves (Note 21)	0	0	0	0
(Increase)/Decrease in 2009/10	**(16,551)**	**(11,339)**	**67,919**	**56,580**
Balance at 31 March 2010	**(23,908)**	**(45,081)**	**(663,516)**	**(708,597)**
Movement in Reserves during 2010/11:				
(Surplus)/Deficit on the Provision of Services	0	83,004	0	83,004
Other Comprehensive Income and Expenditure	0	(21,893)	0	(21,893)
Total Comprehensive Income and Expenditure	**0**	**61,111**	**0**	**61,111**
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 7)	(151)	(70,502)	70,502	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(151)**	**(9,391)**	**70,502**	**61,111**
Transfer to/(from) Earmarked Reserves (Note 21)	0	0	0	0
(Increase)/Decrease in 2010/11	**(151)**	**(9,391)**	**70,502**	**61,111**
Balance at 31 March 2011	**(24,059)**	**(54,472)**	**(593,014)**	**(647,486)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. The Authority raises taxation to cover net expenditure in accordance with Regulations: this is different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Income and Expenditure 2010/11 **Table 1**	**2009/10** **Net Expenditure**		**2010/11** **Gross Expenditure**	**2010/11** **Gross Income**	**2010/11** **Net Expenditure**
	£'000		**£'000**	**£'000**	**£'000**
Adult Social Care	36,199		48,076	(14,123)	**33,953**
Central Services to the Public	404		14,256	(13,628)	**628**
Education and Children's Services	49,253		181,414	(143,568)	**37,846**
Cultural, Environmental, Regulatory and Planning Services	29,955		34,912	(5,624)	**29,288**
Highways and Transport Services	9,462		12,655	(4,432)	**8,223**
Local Authority Housing (HRA)	5,621		134,930	(45,512)	**89,418**
Other Housing Services	1,957		57,095	(53,578)	**3,517**
Corporate and Democratic Core	6,302		9,168	(3,668)	**5,500**
Non Distributed Costs	(391)		280	(19,777)	**(19,497)**
Cost of Services	**138,762**		**484,831**	**(295,955)**	**188,876**
Other Operating Expenditure (Note 14)	6,400				781
Financing and Investment Income and Expenditure (Note 15)	13,244				27,177
Taxation and Non Specific Grant Income (Note 16)	(137,262)				(133,830)
Surplus/Deficit on the Provision of Services	**21,144**				**83,004**
Surplus/Deficit on Revaluation of Property, Plant and Equipment Assets	773				(6,135)
Actuarial Gains/Losses on Pensions Assets/ Liabilities (Note 42)	34,767				(15,758)
Other Comprehensive Income and Expenditure	**35,540**				**(21,893)**
Total Comprehensive Income and Expenditure	**56,684**				**61,111**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - continued

Income and Expenditure 2009/10 Comparatives **Table 2**	**2009/10** **Gross Expenditure**	**2009/10** **Gross Income**	**2009/10** **Net Expenditure**
	£'000	**£'000**	**£'000**
Adult Social Care	50,602	(14,403)	**36,199**
Central Services to the Public	12,798	(12,394)	**404**
Education and Children's Services	204,725	(155,472)	**49,253**
Cultural, Environmental, Regulatory and Planning Services	36,010	(6,055)	**29,955**
Highways and Transport Services	12,224	(2,762)	**9,462**
Local Authority Housing (HRA)	46,497	(40,876)	**5,621**
Other Housing Services	54,370	(52,413)	**1,957**
Corporate and Democratic Core	9,397	(3,095)	**6,302**
Non Distributed Costs	315	(706)	**(391)**
Cost of Services	**427,154**	**(288,176)**	**138,762**
Other Operating Expenditure (Note 14)			**6,400**
Financing and Investment Income and Expenditure (Note 15)			**13,244**
Taxation and Non Specific Grant Income (Note 16)			**(137,262)**
Surplus/Deficit on the Provision of Services			**21,144**
Surplus/Deficit on Revaluation of Property, Plant and Equipment Assets			**773**
Actuarial Gains/Losses on Pensions Assets/Liabilities (Note 42)			**34,767**
Other Comprehensive Income and Expenditure			**35,540**
Total Comprehensive Income and Expenditure			**56,684**

Note:
The Comprehensive Income and Expenditure Account is a consolidated account comprising outcomes on both the General Fund and Housing Revenue Accounts. In the Movement in Reserves Statement and supporting Note 7 these outcomes have been disaggregated so as to show the separate outcomes in the General Fund and Housing Revenue Accounts.

BALANCE SHEET

The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. For example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt. The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis under regulations”.

Notes	Balance Sheet showing in addition the opening IFRS Balances as at 1 April 2009 and the comparatives as at 31 March 2010	Opening Balance 1 April 2009		31 March 2010	31 March 2011	
		£'000		£'000	£'000	£'000
	Long Term Assets					
22	Property, Plant and Equipment	946,723		922,684	846,835	
11	Leased Assets	3,248		2,894	2,805	
27	Investment Property	3,507		3,481	3,481	
28	Intangible Fixed Assets	1,224		979	734	
	Long Term Investments	0		0	0	
33	Long Term Debtors	204		1,257	1,247	
	Total Long Term Assets	**954,906**		**931,295**		**855,102**
	Current Assets					
30	Short Term Investments	48,652		49,062	43,238	
36	Assets Held for Sale	39		0	66	
	Inventories	218		101	301	
34	Short Term Debtors	27,820		36,729	29,192	
35	Cash and Cash Equivalents	13,432		12,040	12,606	
	Total Current Assets	**90,161**		**97,932**		**85,403**
	Current Liabilities					
30	Short Term Borrowing	(19,842)		(35,788)	(112,002)	
37	Short Term Creditors	(30,259)		(30,450)	(42,750)	
	Total Current Liabilities	**(50,101)**		**(63,933)**		**(154,752)**
	Long Term Liabilities					
30	Long Term Borrowing	(124,989)		(113,439)	(28,231)	
32	Provisions	(982)		(355)	(350)	
	Deferred Discount	(148)		(135)	(124)	
42	Pension Liability	(98,053)		(135,555)	(104,936)	
	Deferred Purchase Liability	(158)		0	0	
	Leasing Liability	(3,248)		(2,894)	(2,805)	
	Capital Grants Receipts in Advance	(2,211)		(2,014)	(1,821)	
	Total Long Term Liabilities	**(229,789)**		**(254,392)**		**(138,267)**
	Total Net Assets	**765,177**		**708,597**		**647,486**

BALANCE SHEET - continued

	Reserves					
38	Usable Reserves	(33,742)		(45,081)	(54,472)	
39	Unusable Reserves	(731,435)		(663,516)	(593,014)	
	Total Reserves	**(765,177)**		**(708,597)**		**(647,486)**

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

Notes		**2009/10**			**2010/11**	
		£'000	**£'000**		**£'000**	**£'000**
	Net (Surplus)/Deficit on the Provision of Services		(21,144)			(83,004)
	Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non Cash Movements		(35,096)			118,274
	Adjustments for Items included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities		0			(5,583)
43	Net Cash Flow from Operating Activities	(56,241)			29,687	
44	Net Cash Flow from Investing Activities	6,771			(29,767)	
45	Net Cash Flow from Financing Activities	48,077			646	
	Net Increase/Decrease in Cash and Cash Equivalents		(1,392)			566
	Cash and Cash Equivalents at 1 April		**13,432**			**12,040**
	Cash and Cash Equivalents at 31 March		**12,040**			**12,606**

NOTES TO THE FINANCIAL STATEMENTS

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. General

This Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2003 (as amended), which require that the principles adopted in compiling these accounts should be explicitly stated. It follows that the Statement complies with:

- The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2010,
- The Best Value Accounting Code of Practice (BVACOP) 2010,
- The International Accounting Standards Board's Framework for the Preparation and Presentation of Financial Statements.

The overall accounting convention adopted is historical cost modified by the revaluation at fair value of certain categories of non current assets and financial instruments.

The presentation and disclosures in the 2010/11 accounts have been subject to significant changes following the introduction of the new Code which provides that local authorities must follow International Financial Reporting Standards (IFRS) in the preparation of their accounts commencing with the financial year 2010/11.

The adoption of IFRS involves certain changes to accounting policies compared with those applicable to previous financial years. Under the new Code this necessitates a restatement of the opening Balance Sheet of the earliest comparator period, that is, as at 1 April 2009 as well as the restatement of the 2009/10 accounts.

2. Accounting Estimation Techniques

Estimation techniques are the methods adopted by a local authority to arrive at estimated monetary amounts for assets, liabilities, and assessments of fair value. An accounting policy specifies the basis on which an item is measured and, where appropriate, the estimation technique is used to determine the actual monetary amount. The Authority has employed the estimation techniques specified in the Code or has otherwise determined the estimation technique that most closely reflects the economic reality of the relevant transaction.

3. Accounting Principles

The Council has adopted the following accounting policies for the purpose of presenting a true and fair view of its financial position and of its financial transactions. The underlying accounting principles are reviewed regularly and may be summarised as follows:

- Relevance – the financial statements provide information about the Authority's performance and position that is useful to users of the accounts for assessing its stewardship of public funds and its economic decisions.
- Reliability – the financial information faithfully represents the substance of transactions, the activities underlying them and other events that have taken place, is free from deliberate or systematic bias and material error, and has been prepared on the basis of prudence where there is any uncertainty.
- Comparability – the financial information has been prepared consistently and with adequate disclosures so that it can be compared with prior years and with that of

other local authorities subject to the introduction of improved accounting practices as disclosed each year.

- Comprehensibility – the financial statements have been prepared to ensure that they are as easy to understand as possible.

- Materiality – the financial statements disclose all items of a size and nature such that together they provide a true and fair presentation of the financial position and transactions of the Authority.

- Accruals – other than the Cash Flow Statement, the financial statements report transactions that have been recorded in the accounting period in which the goods and services were received or supplied rather than that in which the cash was received or paid.

- Going Concern – the financial statements have been prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

- Legality – where accounting principles and specific legislation requirements are in conflict, the financial statements have been prepared to reflect the primacy of legislative requirements.

4. Accruals of Income and Expenditure

Activity is accounted for in the financial year in which it takes place and when a right to consideration exists, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Authority provided the relevant goods or services.

- Employee costs are charged to the accounts of the period within which the employees worked.

- Supplies and services are recorded as expenditure when they are consumed or performed. Where there is a gap between the date supplies are received and the date when they are consumed, they are carried as inventory on the Balance Sheet.

- Works are charged as expenditure when they are completed, before which they are carried either as work in progress (revenue) within Inventory or as assets under construction (capital) within Property, Plant and Equipment on the Balance Sheet.

- Interest payable on borrowings and receivable on investments are accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the actual cash flows fixed or determined by the relevant contract.

- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge is made to the relevant account for the income that will not be collected.

- Where payments are made or received in advance of a service being provided or received a payment or receipt in advance is recognised as a debtor or creditor in the Balance Sheet.

All income and expenditure is credited or debited to the relevant revenue account unless it properly represents capital expenditure.

5. Cash and Cash Equivalents

Cash is defined as cash in hand and demand deposits. Cash equivalents are investments or loans with a known value on maturity and subject to immediate to immediate repayment on demand. It is the Authority's policy to treat monies lodged overnight only as cash equivalents.

6. Contingent Assets

Contingent assets are not recognised in the accounting statements; they are disclosed by way of a note if the inflow of a receipt or economic benefit is possible. The disclosures, if applicable, indicate the nature of the contingent asset and an estimate of its financial effect. The definitions of contingent assets are the reverse of those given for contingent liabilities below. Where the transfer of economic benefit arising from a contingent asset has become virtually certain it has been accounted for as a debtor.

7. Contingent Liabilities

Contingent liabilities are not recognised in the accounting statements; they are disclosed by way of a note if:

- There is a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the Authority's control or,

- A present obligation that arises from past events but is not recognised because it is not probable that a transfer of economic benefits will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability.

For each class of contingent liability, the nature of the contingency, a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement has, if applicable, been disclosed. If the transfer of economic benefit in respect of a contingent liability has become probable, a provision has been recognised in the financial statements.

8. Employee Benefits

Benefits Payable during Employment

Benefits payable during employment comprise the normal expenses of salaries and wages, paid leave, sick leave and non monetary benefits. Under IFRS an accrual is made for the costs of untaken leave and time off in lieu charged at the rates of pay applicable to the year after the year of account, that is, at the expected likely cost. The accrual is charged to the Comprehensive Income and Expenditure Statement and is reversed in the Movement in Reserves Statement to the Accumulating Absences Adjustment Account, an Unusable Reserve in the Balance Sheet, in accordance with the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010.

Termination Benefits

Termination Benefits are payable as a result of a Council decision to terminate an employee's employment before the normal retirement date or as a result of an employee's decision to accept voluntary redundancy. The costs are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Authority becomes clearly committed to the costs. Voluntary early retirement is accounted for as a post employment benefit as outlined below.

Where termination benefits involve the enhancement of pensions, the General Fund, under statutory provisions, can only be charged with the costs paid in the year to the Pension Fund or to the pensioner directly: the accounting costs are reversed to the Pensions

Reserve in the Movement in Reserves Statement in accordance with the rules covering post employment benefits.

Post Employment Benefits

Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education,

- The Local Government Pension Scheme administered by Essex County Council.

Both schemes provide defined benefits to members (i.e., retirement lump sums and pensions), earned as employees work for the Authority.

Teachers Pension Scheme

The arrangements for the teachers' scheme are such that the liabilities for these benefits cannot be identified to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme in that no liability for the future payments of benefits is recognised in the Balance Sheet. The Comprehensive Income and Expenditure Statement has been charged with the employer's contributions actually payable to the Department for Education in the year.

Local Government Pension Scheme

The Local Government Pension Scheme provides members of the pension scheme with defined benefits related to pay and service. The level of the employer's contribution is determined by a triennial actuarial valuation. The latest reported full triennial valuation was undertaken as at 31 March 2010 (made available in March 2011. Under Pension Regulations, the contribution rates must be set so as to meet all the long-term liabilities of the Fund. Employer contributions will be adjusted in future years to account for any projected deficit on the Fund.

The pension costs charged to the Cost of Services in the Comprehensive Income and Expenditure Statement of both the General Fund and the Housing Revenue Account have been made in accordance with IFRS accounting requirements. The charge is based on when the retirement benefits that the Authority has committed to pay are earned, even though the actual payments may not take place for many years. The difference between the amounts charged under accounting conventions and the actual payments made to the Pension Scheme during the year is adjusted in the Movement in Reserves Statement.

The Balance Sheet includes a Pension Reserve that comprises the share of the Fund's assets attributable to the Authority which are measured at their fair value at the balance sheet date. Scheme assets include current assets as well as investments. Liabilities such as accrued expenses are deducted. Fair value comprises:

- For quoted securities – the current bid price,

- For unquoted securities – a professional estimate of fair value,

- For unitised securities – the current bid price, and

- For property – the market value or other basis determined in accordance with the RICS Valuation Manual and Practice Statements.

The scheme liabilities attributable to the Authority are included in the Balance Sheet as a Pensions Liability calculated on an actuarial basis using the projected unit method – an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employment

turnover rates etc, and forecasts of projected earnings for current employees. The use of the projected unit method leads to the situation that current service costs increase as members of the Fund approach retirement age.

Liabilities are discounted to their current value using a discount rate. In assessing liabilities for retirement benefits at 31 March 2011 the actuary assumed a discount rate of 2.6% real (5.5% actual) including an inflation risk premium, a rate based on the current rate of return on a high quality AA rated corporate bond of equivalent currency and term to scheme liabilities. The equivalent assumptions were 2.3% real (5.6% actual), including an inflation risk premium) at 31 March 2010. (In 2009/10 these rates were based on the Retail Prices Index, whereas in 2010/11 the calculation is based on the Consumer Price Index (CPI)). Application of the 2010/11 rate has resulted in decrease in liabilities measured at 2010/11 prices of £20.086 million, offset by actuarial losses of £6.685 million for the year, with the difference between these figures (£13.401 million) being recognised in the Comprehensive Income and Expenditure Statement and reversed in the Movement in Reserves Statement to the Pensions Reserve. The adoption of CPI by the Government as the index for pensions' increases has produced a gain in past service costs of some £19.234 million.

The scheme liabilities comprise:

- Any benefits promised under the formal terms of the scheme, and

- Any constructive obligations for further benefits where a public statement or past practice by the Authority has created valid expectations in its employees such benefits will be granted.

Details of the methods adopted in the valuation of scheme assets and liabilities are set out in the notes to the Balance Sheet.

The surplus or deficit in the scheme is the excess or shortfall of the value of the assets in the scheme over or below the present value of the scheme liabilities. The Authority recognises this as the Pension Liability that reflects its legal or constructive obligations. Details of the methods adopted in calculating the asset or liability recognised are set out in the notes to the financial statements. Any unpaid contributions to the scheme are presented in the Balance Sheet as a creditor due within one year.

The change in the defined benefit asset or liability (other than that arising from contributions to the scheme) is analysed into the following seven components:

- Current service cost. This is the increase in liabilities as a result of the years of service earned by employees in 2010/11 and is included in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

- Interest cost. This is the expected increase in the present value of liabilities during the year as they move one year closer to being paid. It is charged within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

- Expected return on assets. This is the annual investment return on the Fund's assets attributable to the Authority, based on an average of the long-term expected return. It is credited within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

- Actuarial gains and losses. These are changes in the net pension liability that arise because events have not coincided with the assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions. Actuarial gains and losses are recognised in the Comprehensive Income and Expenditure Statement and transferred to the Pensions Reserve in the Movement in Reserves Statement.

- Contributions paid to the Essex County Council Pension Fund. This is the cash payable as employer's contributions to the Fund and is the net charge left in the General Fund after the removal of all other notional debits and credits.

- Past service costs. This is the net increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Past service costs are recognised in the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non-distributed Services' Costs on a straight-line basis over the period in which the increases in benefit vest. To the extent that the benefits vest immediately, the past service costs are recognised immediately.

- Gains and losses on settlements and curtailments. Losses arising on a settlement (a reduction in numbers of employees due, for example, to employee transfers) or a curtailment (a reduction of expected future years of service of employees due, for example, to closures of units of activity) not allowed for in the actuarial assumptions, are measured at the date on which the Authority becomes demonstrably committed to the transaction. They are recognised in the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non-distributed Services' Costs for that period.

  Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction and are recognised in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement for that period.

Statutory provisions limit the Authority to raising council tax to cover only the amounts payable by the Authority to the Pension Fund or directly to pensioners in the year. This means that in the Movement on Reserves Statement there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits. The negative balance on the Pensions Reserve measures the beneficial impact of the Authority being required to account for retirement benefits on the basis of cash flow rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to a member of staff (including teachers) are accrued in the year of the decision to make the award and are accounted for using the same policies as for the Local Government Scheme.

9. Events after the Reporting Period

Where an event that occurs after the Balance Sheet date, favourable or unfavourable, provides evidence of conditions that existed at the Balance Sheet date, "an adjusting event" and has a material effect on the amounts included in the accounts, the amounts recognised in the Statement of Accounts have been adjusted. Any disclosures affected by the new information about the "adjusting event" have been updated in the light of the new information.

Where an event that occurs after the Balance Sheet date is indicative of conditions that arose after the Balance Sheet date and has a material effect on the finances of the Authority, a "non-adjusting event", the amounts recognised in the Statement of Accounts are not adjusted. The following is disclosed in a note to the accounts for each material category of non-adjusting event after the Balance Sheet date:

- The nature of the event, and

- An estimate of the financial effect or a statement that such an estimate cannot be made reliably.

Events taking place after the date of the authorisation for issue are not reflected in the financial statements.

10. Financial Instruments

A financial instrument is defined as “any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another”. The term “financial instrument” covers both financial assets and financial liabilities and includes both the most straightforward assets and liabilities such as trade receivables (short term debtors) and trade payables (short term creditors) and the most complex ones such as derivatives and embedded derivatives. This note outlines how the Authority has accounted for financial instruments. Further details are also given in the disclosure notes on financial instruments.

Financial Assets

Financial assets are classified into two categories:

- Loans and receivables – these are financial assets that have fixed or determinable payments but are not quoted in an active market.

- Available for sale assets – these are financial assets that have a quoted market price and/or do not have fixed or determinable payments. (However, the Authority currently has no available for sale financial assets).

The Council’s financial assets, with the exception of:

- Short-term debtors, where an allowance is made for the probability that some debt will ultimately prove impossible to collect, and

- Externally managed funds, which are valued at fair value,

are classified as loans and receivables.

Loans and receivables are initially measured at fair value, adjusted for directly attributable transaction costs, but only if material, and carried on the Balance Sheet at their amortised cost. Fair value is defined as the amount for which financial assets can be exchanged between knowledgeable willing parties in an arms length transaction. Transaction costs include fees and commissions paid to agents, advisors and brokers.

Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the financial asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable in the loan agreement. The amount credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year under the loan agreement.

The Authority has surplus cash balances that are held in short term deposits with financial institutions and other public bodies. These investments are shown in the Balance Sheet at amortised cost using the effective interest rate method. Thus the carrying value of investments on the Balance Sheet is adjusted for accrued interest due at the year-end.

Where assets are identified as impaired because of a likelihood arising on account of a past event that payments due under the contract will not be made, the financial asset is written down and a charge is made to the Comprehensive Income and Expenditure Statement. In the case of debtors the carrying amount is adjusted for doubtful debts. Debts that cannot be collected (bad debts) are written off in accordance with the Authority’s Financial Regulations and are charged to the Comprehensive Income and Expenditure Statement.

Apart from the impairment of trade receivables where the charge is made to the relevant service account, all other entries to the Comprehensive Income and Expenditure Statement are included in the Financing and Investment Income and Expenditure section.

Any gains or losses that arise from the de-recognition of financial assets are credited or debited to the Comprehensive Income and Expenditure Statement.

Financial Liabilities

Financial liabilities can be classified into:

- Loans and payables.
- Financial guarantees. (However, the Authority has not entered into any financial guarantees).

Financial liabilities are initially measured at fair value, including any transaction costs if material, and carried in the Balance Sheet at their amortized cost. Fair value is the amount for which a financial liability can be settled between knowledgeable willing parties in an arms length transaction. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the financial liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and that the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year under the loan agreement. Any accrued interest payable is shown as part of the carrying value of the loan.

Gains or losses on the repurchase or early settlement of borrowing are credited or debited to the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. However where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing loan instruments, the premium or discount is respectively added to, or deducted from, the amortised cost of the new or modified loan and the write down of the premium or discount to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by means of an adjustment to the effective rate of interest.

Where premiums or discounts have been charged to the Comprehensive Income and Expenditure Statement, the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2007 allow the impact on the General Fund balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or the discount was receivable when the loan was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

All accounting entries in respect of financial liabilities described above in the Comprehensive Income and Expenditure Statement are included in the Financing and Investment Income and Expenditure section.

11. Foreign Currency Translation

Income and expenditure arising from a transaction denominated in a foreign currency is translated into £ sterling at the exchange rate in operation on the date on which the transaction occurred. Where the transaction is to be settled at a contracted rate, that rate is used. In 2010/11 only a very limited number of revenue items were acquired through foreign currency transactions.

12. Government Grants and Contributions

Capital Grants

Where the acquisition or enhancement of a fixed asset is financed either wholly or in part by a government capital grant or other capital contribution, the whole amount of all capital grants and contributions is credited, on an accruals basis, as Taxation and Non Specific Grant Income to the Comprehensive Income and Expenditure Statement provided that all conditions attached to the grant are met. If those conditions are not met immediately the income is held as Capital Grants and Contributions Receipts in Advance in the Creditors section of Balance Sheet.

Capital grants credited to the Comprehensive Income and Expenditure Statement are reversed out of the General Fund balance in the Movement in Reserves Statement. If the grant has not been used to finance capital expenditure in the year it is posted to the Capital Grants Unapplied Reserve. If it has been used to finance capital expenditure in the year it is posted to the Capital Adjustment Account.

Revenue Grants

Whatever the basis of payment, specific revenue government grants, other contributions and donations are matched with the relevant service expenditure in the Comprehensive Income and Expenditure Statement, unless they have conditions attached that cannot be immediately met. If there are conditions which cannot immediately be met the income is credited to Receipts in Advance which forms part of the Creditors figure in the Current Liabilities section of Balance Sheet.

Grants received to finance the general activities of the Authority or to compensate for a loss of income are credited to the Comprehensive Income and Expenditure Statement in the period in respect of which they are payable.

13. Intangible Assets

An intangible asset is an asset without physical substance that is identifiable and controlled by the Authority. For it to be brought into account, the Authority, through either custody or legal protection, such as by means of a licence to use software must have access to the future economic benefits provided by the asset.

Recognition

Purchased intangible assets (e.g. software licences) are capitalised as assets. In addition a local authority is permitted to capitalise expenditure on the development of a computer programme provided that it will deliver service benefits for at least one year.

Measurement

A purchased, or internally developed, intangible asset is capitalised at its cost and may only be re-valued where it has a readily ascertainable market value. The types of intangible assets held by the Authority are very unlikely to have readily ascertainable market values. Therefore the Authority does not revalue intangible assets but accounts for them at amortised cost.

Amortisation

Intangible assets are amortised on a straight-line basis over their useful economic lives. Where access to the economic benefits associated with an intangible asset is achieved through legal rights that have been granted for a finite period, the economic life is not extended beyond that period unless the legal rights are renewable and renewal is assured. The useful economic lives of the intangible assets disclosed in the Balance Sheet have

been determined at 8 years. Useful lives are reviewed at the end of each reporting period and are revised if necessary.

Disposals and De-recognition

The accounting for these transactions is covered under "Surplus Assets, Disposals, De-recognition and Assets held for Sale" section of this note.

Impairments and Revaluation Losses

Intangible assets are reviewed regularly for impairment:

- At the end of the first full financial year following the acquisition, and

- In other periods if events or changes in circumstances indicate that the carrying values may be subject to greater than expected consumption of economic benefits.

Where, on review of an intangible asset, there has been a decrease in value over the previous carrying amount, an impairment loss is recognised. As there is no balance in the Revaluation Reserve in respect of an impaired intangible asset (since they are valued at historic cost), the amount of the impairment is written off within the Cost of Services in the Comprehensive Income and Expenditure Statement and reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

Where a previous impairment loss is subsequently reversed, the impairment reversal is credited to the Comprehensive Income and Expenditure Statement up to the amount of the original loss, but adjusted for the depreciation that would have otherwise been recognised. The reversal of a previous impairment loss is only recognised in the Comprehensive Income and Expenditure Statement if the new value is directly attributable to the reversal of the event that caused the original impairment loss.

Charges to Revenue

Service revenue accounts, as defined in BVACOP, together with central support services and trading accounts, and the housing revenue account if appropriate, are charged with a provision for amortisation and, where required, any related impairment loss due to the clear consumption of economic benefits, for all intangible assets used in the provision of services.

14. Interest

The Authority pays interest on its borrowings (invariably raised to finance capital expenditure) and receives interest and dividends on its investments. Interest is apportioned between the Housing Revenue Account and the General Fund in accordance with Regulations.

The Code states that interest payable on external borrowings and interest income should be accrued and accounted for in the year to which they relate on a basis that reflects the overall economic effect of the borrowings. For reserves the average 7-day London Inter Bank Bid (LIBID) rate for the year is used, calculated on a daily average, as published by the money markets. The annual averaged 7-day rate was 0.43% in 2010/11 (in 2009/10 it was 0.38%).

Interest is credited to the Housing Revenue Account balance and other reserves based on their average balance in the year. This is taken as their opening balance plus their closing balance divided by 2, to which the average quarterly 7-day money market rate is applied.

Interest relating to the General Fund is reflected in the accounts as follows:

- Interest and dividends received are credited to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

- Interest payable is debited to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement. As part of this cost relates to the financing of the Housing Revenue Account capital programme, a recharge is made to the Housing Revenue Account.

Interest due or payable at the year-end is accrued and added to the carrying value of the relevant loan or investment.

15. Interests in Companies and Other Entities

The Code requires a local authority to consider all its interests and to prepare a full set of group accounts' financial statements where it has material interests in subsidiaries, associates and joint ventures. The Authority has investigated all potential interests that could qualify for group accounts and has not identified any relationship that gives rise to a requirement to prepare them.

16. Inventories and Long Term Contracts

Stocks

Stocks are included in the Balance Sheet at the cost of the separate items of stock or of groups of similar items. Their cost has been determined on a FIFO (first in, first out) or average basis, less an allowance for loss in value where appropriate.

Long-term Contracts

A long-term contract is "a contract entered into for the design, manufacture or construction of a single substantial asset or for the provision of a service (or of a combination of assets or services which together constitute a single project) where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods". Revenue contracts are charged to revenue as payments are made for works or services received and capital contracts are charged as capital expenditure and are shown in the accounts either as assets under construction or, if completed in 2010/11, as additions to fixed assets.

17. Investment Property

Recognition

Under IFRS this is a separate category of asset which was formerly included under the UK GAAP heading "Tangible Fixed Assets". By definition, investment property is held solely to earn rentals and/or for the purposes of capital appreciation. The Authority holds a few properties, originally acquired to facilitate capital projects, which have been classified as investment properties. This is because the projects for which the properties were acquired never came to fruition, but the properties have been retained and are let to third parties. Investment property can comprise part of a building provided that the part is capable of being subject to a separate lease or sale. By definition it must be probable that an investment property will yield future economic benefit to the Authority and it must be capable of reliable measurement.

Measurement

Investment properties are initially measured at cost (plus any direct transaction costs), and subsequently at fair value based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length (market value). Investment properties are re-valued annually according to market conditions at the year end. Gains and losses on

revaluation are posted to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement, not to the Revaluation Reserve as is the case for Property, Plant and Equipment generally. However, revaluation gains and losses, by Regulation, are not permitted to affect the General Fund balance, so they are reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

Amortisation

Investment properties are not depreciated since the consumption of economic benefits over time is taken into account through the annual valuations of fair value.

Disposals and De-recognition

The accounting for these transactions is covered under "Surplus Assets, Disposals, De-recognition and Assets held for Sale" section of this note.

In no circumstances are investment properties re-classified as Assets Held for Sale.

Impairments and Revaluation Losses

Where, on revaluation of an investment property, there has been a decrease over the previous carrying amount, an impairment loss is recognised. The amount of the impairment is written off within the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement and reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

Where an impairment loss is subsequently reversed, the impairment reversal is credited to the Comprehensive Income and Expenditure Statement up to the amount of the original loss.

Charges to Revenue

Rentals received in respect of investment properties are credited to, and direct operating expenses are debited to, the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement and result in a gain for the General Fund balance.

18. Landfill Allowance Scheme

Under the Waste and Emissions Trading Act 2003, the Authority, as a waste disposal authority, is issued with tradable landfill allowances on an annual basis for the amount of biodegradable waste that it is allowed to landfill. If the amount of biodegradable waste sent to landfill exceeds the allowance in any one year then additional permits are required to be purchased from other local authorities, otherwise a cash penalty must be paid to the government for the shortfall. The scheme is known as a 'cap and trade scheme'. For such arrangements there is no IFRS (or UK GAAP) accounting standard.

The fair value of the allowances received by the Authority whether issued by the government or purchased from another local authority is recognised as a current asset (intangible current asset or investment) within the Balance Sheet. The allowances issued by the government without charge are treated as a government grant and accounted for in accordance with paragraph 12 of this Note: that is, they are recognised in the Comprehensive Income and Expenditure Statement when no conditions remain to be satisfied. The initial fair value of allowances issued by the government is market value: the initial fair value of any allowances purchased is cost. Where a reliable estimate of fair value cannot be arrived at the Authority is required to write down the value of its allowances to nil.

As landfill is used a liability (creditor) is established in the Balance Sheet, which comprises an estimate of the expenditure required to meet the obligation to deliver allowances equal to the biodegradable and municipal waste landfill usage permitted by the government. The

value of this provision is measured as the present market value, at the reporting date, of the number of allowances that the government requires to be delivered plus any cash penalty payable in respect of any shortfall in allowances compared with the estimated actual landfill usage at the date the accounts are authorised for issue.

The value of allowances at the Balance Sheet date is measured at the lower of initial recognition value and net realisable value (market value). Any difference between the estimated actual and the final agreed actual is adjusted in the following year's accounts.

19. Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of the ownership of property, plant and equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for lease classification purposes.

Finance Leases – the Authority as Lessee

Any property, plant and equipment held under a finance lease is recognised as an asset in the Balance Sheet at the inception of the lease at the lower of the fair value or the present value of the minimum lease payments. This asset is matched by a long term liability representing the total future obligation to pay the lessor. The Authority uses assets under a long term contract which is deemed to incorporate an embedded finance lease – more details can be found in Note 11 to the accounts. Some of the Authority's schools have entered into finance leases for minor items of equipment and the Authority itself has some old finance leases covering equipment, mostly wheelie bins. In both cases the lease obligations and asset values have been assessed to have a de minimis impact on the Authority's accounts.

Annual lease rental payments are apportioned between the finance charge and the reduction of the long term liability, with the finance charge being debited to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement. The amount that is debited to offset the long term liability is then also debited to the appropriate service revenue account within the Comprehensive Income and Expenditure Statement and credited against the asset value in the Balance Sheet as depreciation. The entry to the Comprehensive Income and Expenditure Statement is then reversed in the Movement in Reserves Statement to the Capital Adjustment Account, since the settling of the liability represents capital expenditure. Any depreciation, revaluation or impairment losses arising on leased assets are reversed to the Capital Adjustment Account in the Movement in Reserves Statement.

Under the Prudential Framework the setting up of the long term liability is deemed to be a credit arrangement, the cost of which must be included in the calculation of the Authority's Capital Financing Requirement and is therefore taken into account in the calculation of the Authority's Minimum Revenue Provision.

Any hire purchase contracts that have similar characteristics to a finance lease and are of a financing nature are accounted for as finance leases.

Finance Leases – the Authority as Lessor

Where the Authority enters into a finance lease as lessor, the relevant item of property, plant and equipment is written out of the Balance Sheet as a disposal (loss) to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. The Authority's net investment in the lease is correspondingly credited to the same line in the Comprehensive Income and Expenditure Statement and matched to a long term debtor in the Balance Sheet. The credit posted to the Comprehensive Income and Expenditure Statement must be treated by statute as a capital receipt through a reversal in the Movement in Reserves Statement to the Deferred Capital Receipts Reserve. The debit posted to the

Comprehensive Income and Expenditure Statement is reversed in the Movement in Reserves Statement to the Capital Adjustment Account. The Deferred Capital Receipts Reserve is used because the gain comprises the receipt of rentals in future years.

Lease rentals receivable are split between the charge for the acquisition of the property and the charge for finance. The former is accounted for by writing down the long term debtor and debiting the Capital Adjustment Account. The finance income is credited to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement. The credit to the Comprehensive Income and Expenditure Statement is then matched by a debit to write down the Deferred Capital Receipts Reserve, whilst the reversal of the entry to the Comprehensive Income and Expenditure Statement in the Movement in Reserves Statement is offset by a credit to the Capital Receipts Reserve.

Operating Leases – the Authority as Lessee

Where assets are held under operating leases, the leasing rentals payable are charged to the revenue accounts of the services that use those assets as they are become payable. Any hire purchase contracts that have similar characteristics to an operating lease are accounted for as an operating lease and disclosed in a note to the financial statements. Charges are accounted for on a straight line basis over the term of the lease regardless of the actual payments stream.

Operating Leases – the Authority as Lessor

Where the Authority grants an operating lease in respect of an item of property, plant and equipment the asset is retained in the Balance Sheet and depreciated over its useful life. Rental income from operating leases is credited as Other Operating Expenditure in the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease, regardless of the pattern of payments. The initial direct cost of negotiating and arranging the lease may be added to the carrying value of the asset and charged as an expense over the term of the lease.

20. Minimum Revenue Provision

In 2008 an amendment to the Capital Finance Regulations 2003 required the Authority to approve a policy on the appropriate charge to the Comprehensive Income and Expenditure Statement in respect of its outstanding loans and obligations of a similar nature. This charge is known as the Minimum Revenue Provision. It is also permissible for the Council to make additional voluntary repayments. The policy adopted is as follows:

- For supported borrowing, the regulatory method has been adopted. This relates to debt that is supported by the government through the revenue support grant system. This method is the same as the previous system and comprises 4% of the relevant debt. It mirrors the way the government calculates the support it plans to give to local authorities.

- For prudential (or unsupported) borrowing the asset life (equal instalment) method has been adopted. This method involves making provision by equal annual instalments over the estimated useful life of the asset in respect of which the borrowing was made.

21. Overheads and Support Services

Charges or apportionments covering all support service costs (e.g. legal, human resources and finance) are made to all “front line” services (services to the public) in proportion to the benefits received on a total cost absorption basis. The cost of service management is also apportioned to the accounts representing the activities managed. The bases of apportionment adopted are used consistently for all the expenditure heads to which apportionments are made. This is in accordance with the BVACOP 2010.

The costs of the Corporate and Democratic Core (costs relating to the Council's status as a multi-functional democratic organisation) and of Non-distributed Costs (costs of early retirements and impairments of Assets Held for Sale) are allocated to separate objective expenditure heads in the Comprehensive Income and Expenditure Statement as part of Cost of Services and are not apportioned to services.

22. Prior Period Adjustments

The majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions for the year in which they are identified, and are accounted for accordingly.

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts. The effect of prior period adjustments on the outturn for the preceding period is disclosed where practicable. The change of accounting presentation from UK GAAP to IFRS has necessitated the restatement of both opening and closing Balance Sheets for 2009/10 together with many of the comparator figures for 2009/10 throughout the financial statements and notes.

23. Property, Plant and Equipment

Property, plant and equipment are assets that have physical substance and are held for use in the provision of services or for administrative purposes for a period of more than one year. Along with intangible assets, investment property and assets held for sale they are classified generically under IFRS as non current assets.

De Minimis Policies

The Authority applies or intends to apply as appropriate the following de minimis thresholds to its asset and capital accounting. Items below the values set out in the table below are not put through the full asset or capital accounting process on the grounds that they have no material effect on the presentation in the financial statements of a true and fair view. These limits may be ignored where accountability to an external funder is required or to maximise the use of a government grant.

De Minimis Limits	**£**
The value below which assets are not recorded separately in the Asset Register	Not yet applied
The value below which any capital project is charged directly to revenue expenditure	10,000
The value below which assets will not be split into components	1,000,000
The minimum value of a component as a proportion of total asset value	15%
The value below which assets are aggregated and depreciated together	Not yet applied
The value below which capital receipts are treated as revenue income	10,000

Recognition

All expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis provided it can be measured reliably. Expenditure on the acquisition of an item of property, plant or equipment, or expenditure which adds to, and not merely maintains, the value of an existing asset, is capitalised and classified as property, plant and equipment, provided that it yields benefits to the Authority, and the services it provides, for a period of more than one year. Expenditure on repairs and maintenance is charged as an expense to revenue. Donated assets are brought on to the Balance Sheet at fair value with a corresponding entry to the Capital Adjustment Account (not the Revaluation Reserve).

Expenditure that is capitalised includes spending on the:

- Acquisition, reclamation, enhancement or laying out of land,

- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures, and

- Acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles, furniture and equipment.

Enhancement means the carrying out of works that are intended to:

- Lengthen substantially the useful life of an asset, or

- Increase substantially the market value of an asset, or

- Increase substantially the extent to which an asset can, or will, be used for the purposes of, or in conjunction with, the functions of, the Authority.

Improvement works and structural repairs are capitalised, whereas expenditure to ensure that a property, plant or equipment asset maintains its previously assessed standard of performance is recognised in the Comprehensive Income and Expenditure Statement as it is incurred. Expenditure on existing property, plant and equipment is capitalised in three circumstances:

- Enhancement (as defined above),

- Where a component of a property, plant or equipment asset, that has been treated separately for depreciation purposes and depreciated over its individual useful life, is replaced or refurbished, and

- Where the spending relates to a major inspection or overhaul of a property, plant or equipment asset that restores the benefits of the asset that have been consumed by the Authority and have previously been reflected in accumulated depreciation.

Assets acquired on terms meeting the definition of a finance lease are capitalised as property, plant and equipment assets with a matching long-term liability for future rentals payable.

Where a property, plant or equipment asset is acquired for other than a cash consideration or where payment is deferred, the asset has been recognised and included in the Balance Sheet at fair value.

Components

The new Code requires the significant components of a property, plant and equipment asset, with measurably different estimated useful lives, to be treated as separate assets for depreciation purposes. The identification of components must take place either when an asset is brought into use or at the point of the replacement of a component. Where applicable, that replacement necessitates the writing out of the Balance Sheet of the replaced component. Recognition of replaced components for depreciation purposes applies to enhancement and acquisition expenditure incurred from 1 April 2010 and to certificated asset revaluations carried out after that date. For all property assets, land and buildings are valued separately with the land component treated as non depreciable. The next full certificated revaluation of the Authority’s property, plant and equipment is due to operate from 1 April 2012 when full component accounting will be implemented. A split in valuation between land and buildings in respect of council dwellings is deemed to be sufficient for component accounting purposes. All valuations currently exclude moveable furniture and equipment.

Measurement – Valuation and Revaluation

Property, plant and equipment assets are initially measured at cost. Only those costs that are directly attributable to bringing an asset into working condition for its intended use are included in its measurement. Although it is permitted, the Authority does not capitalise any associated borrowing costs.

When substantially all the activities, which are necessary to get an item of property, plant or equipment ready for use, are complete, the asset is categorised and included in the Balance Sheet. Property, plant and equipment assets are divided into the following categories:

- Council dwellings – these assets are valued based on the use of beacon properties to assess a vacant possession value which is then adjusted downwards by 39% to reflect their occupation by a secure tenant, i.e. to reflect their use for social housing purposes. This adjustment factor is provided by the government and applies throughout the Eastern Region of England.

- Other land and buildings.

- Vehicles, plant, furniture and equipment.

- Infrastructure assets – these assets comprise highways, footways, bridges, street furniture and drainage.

- Land awaiting development.

- Commercial properties – these assets mostly comprise blocks of shops provided on housing estates as part of comprehensive social housing developments.

- Community assets – these assets comprise parkland (but not any associated buildings), historic buildings not subject to any practical use and works of art, museum exhibits, cemeteries and allotments.

- Assets under construction.

- Surplus assets – these assets are surplus to current service need but do not meet the criteria for classification as investment property or as assets held for sale. They are valued on the basis of the use to which they were put before they were vacated, de-commissioned or otherwise deemed surplus.

With effect from 1 April 2008, all non current assets are re-valued every four years. Subsequently those values are updated each year as at the Balance Sheet date on a desktop formula basis. During 2010/11 the Valuer's judgment is that asset values in Thurrock have not changed. Non current assets are also re-valued on account of known events that could affect their values. This approach complies with the new Code's requirements and is in accordance with CIPFA's Statements of Asset Valuation Principles.

Property, plant and equipment assets are valued on the bases set out in the table below. Regarding specialised properties, where there is sufficient evidence to enable a Valuer to arrive at a market value in existing use, that value is used, but where there is no, or insufficient, market based evidence, depreciated replacement cost is used. This valuation basis uses the aggregate of the market value for existing use of the land on which the building stands, plus the current gross replacement cost of the building, less an allowance for physical deterioration and obsolescence based on the current level of service or output of the building.

Asset Category	Valuation Basis
Council Dwellings	Fair Value based on Existing Use Value – Social Housing (EUV – SH)
Non Specialised Assets: Other Land and Buildings	Fair Value based on Existing Use Value (EUV)
Specialised Assets: Other Land and Buildings	Depreciated Replacement Cost
Vehicles, Plant, Furniture and Equipment	Depreciated Replacement Cost (unless EUV can be determined)
Land awaiting Development	Fair Value based on Existing Use
Commercial Properties	Fair Value based on Existing Use
Community Assets	Depreciated Historic Cost
Infrastructure Assets	Depreciated Historic Cost
Surplus Assets for Disposal	Fair Value based on previous Existing Use
Assets under Construction	Historic Cost

The valuations of the Council's land and property for accounting purposes has been conducted by the Council's external Valuer, Phil Singer, who is a professional member of the Royal Institution of Chartered Surveyors (RICS). The valuations have been prepared in accordance with the UK Practice Statements contained in the RICS Appraisal and Valuation Standards (the "Red Book").

The asset valuations have been prepared using the following assumptions: -

- The Authority has good title free from encumbrances;
- There are no hazardous substances or latent defects in the properties and there is no contamination present;
- The properties have permanent planning permission and any other necessary statutory consents for their current use;
- Plant and machinery is included in the valuation of the property, where applicable;
- No special circumstances beyond those likely to be considered by a prospective purchaser in the open market have been taken into account;
- No allowance has been made for any liability to taxation, which may arise on disposal, nor for costs of acquisition or realisation.

Accounting for Revaluation

An Asset Register is used to record the details of all non current assets and their associated accounting information. For all property, plant and equipment assets a rolling record of depreciated historical cost is maintained so that the difference between that and depreciated fair value, where appropriate, can be identified each year in order to establish the balance in respect of each asset of revaluation gains held in the Revaluation Reserve. The depreciated historical cost includes any subsequent capital expenditure incurred on enhancements.

Where a property, plant or equipment asset is included in the Balance Sheet at a re-valued amount, the asset account is debited and the Revaluation Reserve credited with the gain. If, however, the increase over the previous carrying amount at which that asset was included in the Balance Sheet immediately prior to the latest re-valuation reverses previous revaluation or impairment losses, the amount of the gain up to the previously recognised losses is credited to the Comprehensive Income and Expenditure Statement and taken to the Capital Adjustment Account through the Movement in Reserves Statement. Revaluation gains in the first instance are used to reduce or to eliminate accumulated depreciation

and/or accumulated impairment balances. When an asset is re-valued, the difference between the depreciation charge based on the fair value of the asset and that based on historical cost is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Revaluation losses are accounted for similarly in relation to any previous revaluation gains, but net of the additional depreciation that would have been charged had not the asset been written down previously. If the loss exceeds any balance in the Revaluation Reserve, the excess is debited to the Comprehensive Income and Expenditure Statement and reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

The Revaluation Reserve contains gains recognised since 1 April 2007 only, the date of its formal implementation with an opening zero balance in accordance with the proper accounting practices. Gains arising before that date have been consolidated into the Capital Adjustment Account. The Revaluation Reserve is not permitted to hold any negative balances reflecting valuation losses.

Impairments and Revaluation Losses

The value at which each category of assets is included in the Balance Sheet is reviewed at the end of each reporting period and, where there is reason to believe that its value has been impaired materially in the period, the valuation is adjusted accordingly. For non cash generating assets impairment is considered on the basis of the "recoverable amount", the cost of replacing the service potential of the asset, normally its depreciated replacement cost. For cash generating assets it is considered in the context of the present value of the cash flows to be derived from the asset.

Events and changes in circumstances that indicate impairment may have occurred include:

- A significant decline in the market value of a property, plant and equipment asset during the period,
- Evidence of obsolescence or physical damage to a property, plant and equipment asset,
- A significant adverse change in the statutory or other regulatory environment in which the Authority operates,
- A commitment by the Authority to undertake a significant reorganisation leading to major changes in the way an asset is used or expected to be used, or
- A significant deterioration in the expected level of an asset's performance.

Where, on the revaluation of a property, plant or equipment asset, there has been a decrease over the previous carrying amount, an impairment loss is recognised. If there is a balance in the Revaluation Reserve in respect of the impaired asset, the amount of the impairment is written off against that balance. If there is no balance or insufficient balance in the Revaluation Reserve in respect of the impaired asset, the amount of the impairment is written off within the Cost of Services in the Comprehensive Income and Expenditure Statement and reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

Where an impairment loss is subsequently reversed, the impairment reversal is credited to the Comprehensive Income and Expenditure Statement up to the amount of the original loss, but adjusted for the depreciation that would have otherwise been recognised: it is then reversed in the Movement in Reserves Statement to the Capital Adjustment Account. Any excess of gain over the original loss is credited to the Revaluation Reserve.

Disposals and De-recognition

The accounting for these transactions is covered under "Surplus Assets, Disposals, De-recognition and Assets held for Sale" section of this note.

Depreciation

Depreciation is the measure of the cost of the economic benefit of a non current asset that has been consumed during an accounting period.

Depreciation is calculated on the carrying amount, including any past enhancement expenditure, of all property, plant and equipment assets with a finite useful life, which is estimated at the time of acquisition or revaluation. For all property, plant and equipment assets, other than non-depreciable land, investment properties held at fair value, assets held for sale and assets under construction, the only ground for not charging depreciation is if the depreciation charge is immaterial. Provision for depreciation is made by allocating the cost (or re-valued amount) less the estimated residual value of the assets as fairly as possible over the periods expected to benefit from the use of the related assets. In this way both the historical cost and any revaluation gains are depreciated with consequential effects on an asset's balance in the Revaluation Reserve. Invariably this approach to depreciation accounting results in the charge of equal amounts each year over the life of the asset.

One reason for breaking down large assets into components is to enable depreciation to measure more accurately the consumption of economic benefits during a reporting period, reflecting the fact that major components of large buildings may have significantly different estimated useful lives compared with that of the overall building structure and therefore need to be depreciated separately. The main objective is to ensure that depreciation charges are materially correct.

A change from one method of providing depreciation to another is only made where the new method will give a fairer presentation of the results and of the financial position of the Authority. Such a change does not, however, constitute a change of accounting policy; the carrying amount of the property, plant or equipment asset is depreciated using the revised method over the remaining useful life, beginning with the period in which the change is made.

The estimated useful lives of assets, which can be different from their economic lives, are estimated on a realistic basis, are reviewed annually and, where necessary, are revised. Where the useful life of a property, plant or equipment asset is revised, the carrying amount of the asset is depreciated over the revised remaining useful life.

The overarching provision in IFRS is that the depreciation method should be that most appropriate to each item of property, plant or equipment and its use in the provision of services, which ensures a fair presentation of the Authority's financial position. For each category of asset the estimation technique selected is that most appropriate to the type of asset and its use in the provision of services taking account of the expected usage, expected physical deterioration, prospects of obsolescence and any legal limits on usage such as lease expiry dates.

Depreciation has been calculated as follows:

Asset Category	Depreciation Method
Council Dwellings	Charged on the net book value of the buildings divided by their remaining estimated life
Other Land and Buildings	Charged on the net book value of the buildings divided by their remaining estimated life
Vehicles, Plant, Furniture and Equipment	Charged on a straight line basis; computer servers over 5 years and the remainder over 7 years
Land awaiting Development	No depreciation charge is made
Commercial Properties	Charged on the net book value of the buildings divided by their remaining estimated life
Community Assets	Charged on the net book value of the buildings divided by their remaining estimated life
Infrastructure Assets	Charged on the net book value divided by the remaining estimated life, based on a total estimated life of 30 years

Depreciation is not generally provided for freehold land. However, freehold land would be depreciated where it is subject to depletion by, for example, the extraction of minerals or the deposit of landfill.

The estimated useful lives of each category of asset are in the following ranges:-

Asset Category	Useful Life (years)
Council Dwellings	60
Other Land and Buildings	5 - 60
Vehicles, Plant and Equipment	1 - 10
Land awaiting Development	No life estimated – non depreciable
Commercial Properties	30 - 60
Community Assets	30 - 60
Infrastructure Assets	30 - 40

Charges to Revenue

To reflect the real costs of holding assets during the year, General Fund service revenue accounts, as defined in CIPFA's BVACOP, central support services and trading accounts, are charged with:

- Depreciation for all property, plant and equipment assets used in the provision of services,
- Where required, any related impairment losses, if in excess of any balance on the Revaluation Reserve, for all property, plant and equipment assets used in the provision of services, and
- All expenditure on repairs and maintenance relating to property, plant and equipment assets.

The Other Operating Expenditure section of the Comprehensive Income and Expenditure Statement is further charged, or credited, with:

- Finance costs, including interest payable on loans and interest payable under finance leases, and
- Gains arising from revaluations which reverse earlier revaluation losses on the same asset that were charged originally to the Comprehensive Income and Expenditure Statement.

Depreciation and impairment of property, plant and equipment assets are all reversed in the Movement in Reserves Statement to the Capital Adjustment Account and replaced by the Minimum Revenue Provision so that only a statutory calculation of the costs of servicing the Authority's borrowings are met from council tax.

24. Provisions

Provisions are made for any liabilities of uncertain timing or amount that have been incurred. They are recorded as current or long term liabilities depending on whether the liability is expected to be settled within twelve months or not at the Balance Sheet date.

Provisions are recognised when:

- The Authority has a present obligation (legal or constructive) as a result of a past event,

- It is probable that a transfer of economic benefits will be required to settle the obligation, and

- A reliable estimate can be made of the amount of the obligation.

A transfer of economic benefits or other event is regarded as probable if the event is more likely than not to occur. Provisions are charged to the Comprehensive Income and Expenditure Statement when the Council becomes aware of the obligation. When payments are incurred to which the provision relates they are charged direct to the provision in the Balance Sheet. The amount recognised as a provision is the best estimate at the Balance Sheet date, taking into account the risks and uncertainties surrounding the events. Provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision is written back into the Comprehensive Income and Expenditure Statement. Once the amount of the provision is no longer uncertain the provision is re-classified as a creditor.

Where some or all of the expenditure required to set up a provision is expected to be reimbursed by another party, the reimbursement is recognised only when it is virtually certain that it will be received if the obligation is settled. The reimbursement is treated as a separate asset. In the appropriate revenue account the expense relating to a provision is presented net of the amount recognised for a reimbursement.

25. Reserves

The Authority sets aside specific amounts as reserves for policy purposes or for contingencies. Reserves are established by charging amounts to the General Fund Balance in the Movement in Reserves Statement. Transfers to and from reserves are distinguished from service expenditure since transactions involving reserves are shown in the Movement in Reserves Statement. Balances on reserves are shown in the Balance Sheet and are reported in two categories:-

Unusable Reserves

Unusable reserves are not available for revenue purposes. The Revaluation Reserve can only be used when the gains are realised through asset disposal. The adjustment accounts, such as the Pensions Reserve and Capital Adjustment Account, deal with situations where statute requires expenditure and income to be recognised on a different basis from that required by accounting standards. The adjustments between accounting basis and funding basis are shown in the Movement in Reserves Statement. More details are provided in the notes to the accounts.

Usable Reserves

Usable Reserves can be used to finance expenditure or to undertake capital investment and include the General Fund Balance, Earmarked Reserves, the Housing Revenue Account Balance, the Capital Receipts Reserve and the Major Repairs Reserve. All transactions involving expenditure financed by revenue reserves are charged to the Cost of Services in the Comprehensive Income and Expenditure Statement. The Capital Receipts Reserve and Major Repairs Reserve can only be used to finance capital expenditure. All appropriations to and from reserves, including any interest payable, are accounted for in the Movement in Reserves Statement. The purpose of each reserve is set out in the notes to the accounts.

26. Revenue Expenditure Funded from Capital under Statute

Legislation allows for specified expenditure to be classified as capital for funding purposes when it does not result in a non current asset being carried in the Balance Sheet. The purpose of this is to enable such expenditure to be funded from capital resources rather than to be charged to the General Fund and impact upon council tax. These items comprise financial assistance towards capital expenditure incurred by third parties, expenditure on properties not owned by the Authority, repayments of government grant in respect of assets disposed of and amounts directed by the Secretary of State under section 16(2) of Part 1 of the Local Government Act 2003.

Where a statutory provision allows capital resources to meet such expenditure, that expenditure has been charged to the Cost of Services in the Comprehensive Income and Expenditure Statement. It has subsequently been accounted for by debiting the Capital Adjustment Account and crediting the General Fund Balance in the Movement in Reserves Statement. Any grants received in respect of revenue expenditure funded from capital resources are accounted for as revenue grants, even if described as capital grants by the grantor, and reversed in the Movement in Reserves Statement to the Capital Adjustment Account

27. Revenue Income Treated as Capital Receipts under Statute

Normally capital receipts arise from disposals of interests in non current assets. However, capital receipts are defined by statute and that statutory definition includes other categories of income, such as the repayment of a grant or a loan made by the Authority to a third party for the acquisition of an asset. Such income is credited to the Comprehensive Income and Expenditure Statement, since the receipt is revenue income under the general provisions of IFRS, but is then debited to the General Fund Balance in the Movement in Reserves Statement and credited to the Capital Receipts Reserve to effect the statutory requirement to treat such income as a capital receipt.

28. Schools

The Authority's schools operate their own bank accounts and many of them maintain their own financial records independently of the Authority's corporate financial systems. Schools submit annual returns, which include their income and expenditure and balance sheets, to the Authority. These returns have been consolidated into the Authority's Statement of Accounts. This excludes academies, foundation schools and voluntary controlled schools, which are responsible for producing their own accounts, having them audited and submitting them to the Charity Commission.

29. Surplus Assets, Disposals, De-recognition and Non Current Assets Held for Sale

Assets Held for Sale

When it becomes probable that the carrying value of a non current asset will be recovered through sale rather than through its continuing use, the asset is re-classified as an Asset Held for Sale. The asset is re-valued immediately before re-classification and is carried at the lower of that value or fair value less costs to sell with any gain posted directly to the

Revaluation Reserve. Where fair value less costs to sell represents a decrease on that valuation, the loss is posted to the Other Operating Expenditure section of the Comprehensive Income and Expenditure Statement and reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

The values of Assets Held for Sale are reviewed at each year end. Subsequent gains in fair value can only be recognised if they reverse revaluation or impairment losses previously charged to the Cost of Services in the Comprehensive Income and Expenditure Statement. Subsequent losses in fair value, adjusted for any depreciation that would have been charged had the asset held its value up to the re-classification date, are charged to the Comprehensive Income and Expenditure Statement regardless of any balance in respect of that asset in the Revaluation Reserve which is left unadjusted. These entries are reversed to the Capital Adjustment Account in the Movement in Reserves Statement. No depreciation is charged on Assets Held for Sale.

Assets Held for Sale are classified as Current Assets in the Balance Sheet. Assets that are to be abandoned or scrapped are not classified as Assets Held for Sale. To be classified as an Asset Held for Sale all the following criteria must be met at the Balance Sheet:

- The asset is immediately available for sale in its present condition and on terms normal for that type of asset.
- The asset is being actively marketed at a price reasonable in relation to its current value.
- Completion of sale is fully expected within one year of the classification of the asset as an Asset Held for Sale.

Where an asset is classified as an Asset Held for Sale between the Balance Sheet date and the date of issue of the financial statements, that fact is noted as a non adjusting event.

Where an Asset Held for Sale ceases to meet the criteria for such assets, it is re-classified back as a non current asset and valued at the lower of its carrying value before it was classified as an Asset Held for Sale adjusted for any depreciation and revaluation gains or losses that would have been applied had it not been classified as an Asset Held for Sale, and its recoverable amount at the date of the decision not to sell.

Guidance from CIPFA states that, contrary to the conditions set out above, a tenant's initiation of their Right to Buy (RTB) their council house may trigger the transfer of that asset from Property, Plant and Equipment to Assets Held for Sale. In the Authority's experience only some 20% of expressions of desire to buy these properties result in a disposal. It is therefore the policy of the Authority to retain and dispose of these assets without transfer to the Assets Held for Sale category. However, in order to ensure that the Balance Sheet presents a true and fair view in compliance with CIPFA's interpretation of IFRS, any RTBs processed early in 2011/12 where the transaction was fully committed as at 31 March 2011 have been shown as Assets Held for Sale.

Disposals and De-recognitions

When any asset is disposed of or de-commissioned, however categorised, the carrying amount in the Balance Sheet is written off, debited, to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the Gain or Loss on Disposal of Assets. Receipts from disposals, if any, also as part of the Gain or Loss on Disposal of Assets, are credited to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement, that is, they are netted off against the carrying value at the time of disposal. Any revaluation gains accumulated in the Revaluation Reserve in respect of an asset disposed of are transferred to the Capital Adjustment Account.

Amounts received for a disposal, above the de minimis sum, are categorised as capital receipts. A proportion of capital receipts relating to housing revenue account disposals,

75% for dwellings and 50% for land and other assets net of statutory deductions and other allowances, is payable to central government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used to finance the Authority's capital investment or set aside to reduce the Authority's need to borrow. Receipts are appropriated to the Capital Receipts Reserve through the Movement in Reserves Statement.

Any repayment of grant arising from the disposal of an asset is classified under statute as capital expenditure to be financed from the capital receipt. Under IFRS it is defined as Revenue Expenditure met from Capital Resources.

Where a property, plant or equipment asset is disposed of for other than a cash consideration, or the payment is deferred, an equivalent asset is recognised and included in the Balance Sheet at its fair value.

30. Value Added Tax (VAT)

VAT is included in the Comprehensive Income and Expenditure Statement, whether of a capital or revenue nature, only to the extent that it is irrecoverable from Revenue and Customs in accordance with SSAP 5 since there is no IFRS dealing with accounting for VAT.

Note 2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET MET

The Code of Practice for 2011/12 will introduce the separate classification of Heritage Assets for financial reporting purposes, together with the requirement for a series of disclosures, including bases of valuation, and relevant transactions analogous to the disclosures covering the various categories of Property, Plant and Equipment in Note 22 below. The Authority has one heritage asset in its Balance Sheet, Coalhouse Fort, which as carried at a net book value of £487,000 as at 31 March 2011.

The Code will also provide for community assets to be included in the accounts on a valuation basis, if the Authority wishes, rather than a token or historic cost basis. No decision has been made by the Authority on this option: the current carrying values of Community Assets are disclosed in Note 22.

Note 3. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1 the Authority has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments underlying these financial statements are:

- There is a degree of uncertainty about the future funding levels of local government. However the Authority has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority should be impaired as a result of a need to close facilities or to reduce levels of service provision. The Authority has recently critically reviewed its portfolio of assets.

- The Authority is a partner to long term contract under which several major services are provided to the Authority. The Authority has determined that this is not a PFI scheme - or service concession under IFRS – but does contain embedded leases which have been accounted for accordingly.

Note 4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The financial statements contain estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However,

because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Item	Uncertainty	Effect
Property, Plant and Equipment	Assets are depreciated over their estimated useful lives. If in the current economic climate historic levels of repairs and maintenance expenditure cannot be sustained, the useful lives of assets may reduce.	If the useful life of an asset reduces, depreciation increases and the carrying value of the asset reduces. If overall asset lives reduced by 1 year the charge for depreciation would increase by £0.674 million.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgments and assumptions.	The Actuaries' sensitivity analysis indicates that an increase in the discount for liabilities of 0.1% would reduce the pension liability by £5.224 million.
Arrears	The Authority's debtors and the overall provision for impairment are disclosed in Note 34. There is uncertainty in the current economic climate as to whether the impairment provision is sufficient.	If collection rates were to deteriorate a doubling of the impairment provision for doubtful debts would require an additional £3.849 million to be set aside.

Note 5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

- The Social Housing Factor, the amount by which the open market value is discounted to account for the fact the properties are used for social housing, has changed from 46% to 39%. This has resulted in an impairment of £80.288 million in the Local Authority Housing (HRA) line in the Comprehensive Income and Expenditure account.

- The Local Government Pension Scheme has changed the basis on which increases in pension are calculated following a change in legislation. The increase is based on CPI not RPI and this has reduced the long term increase in pensions by £19.260 million. This figure is in Non-Distributed Costs line in the Comprehensive Income and Expenditure account.

- The Authority restructured its debt on 13 August 2010. The council has restructured £84 million of PWLB debt which was repayable over 40/50 years. This amount has been repaid and the council has paid £17m premium as a result. This is shown in Financing and Investment line in the Comprehensive Income and Expenditure account. The repaid debt has been replaced by variable short term market debt. This was reported as a post Balance Sheet event in the 2009/10 financial statements.

- The Authority reported as a Contingent Liability in the 2009/10 financial statements that it was dealing with claims for back pay arising from appeals about unequal pay following the implementation of the single status agreement. Up to 2009/10 the Authority had utilised the provisions of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) and used its discretion not to set up a provision in the accounts until settlement has taken place. In 2010/11 a Capitalisation Direction from the government has been used to finance payments made in full settlements of these claims by reversing the charge to the Comprehensive Income and Expenditure Account in the Movement in Reserves Statement to the Capital Adjustment Account so as to finance these payments from borrowing. Residual associated tax and national insurance payable has been accrued for in Short Term Creditors in the Balance Sheet.

Note 6. RESTATEMENT OF 2009/10 COMPARATIVE FIGURES

The figures in the published 2009/10 UK GAAP compliant Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet and Cash Flow

Statement have all been restated to comply with IFRS. 1 to the financial statements summarises the main changes to the figures originally published.

Note 7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that have been to the total Comprehensive Income and Expenditure Statement for the year in accordance with proper accounting practices to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. It provides a breakdown of the totals in the Movement in Reserves Statement.

	Usable Reserves					
Adjustments from Accounting to Funding Basis 2010/11	**General Fund Balance £'000**	**Housing Revenue Account Balance £'000**	**Capital Receipts Reserve £'000**	**Major Repairs Reserve £'000**	**Capital Grants Unapplied £'000**	**Movement in Unusable Reserves £'000**
Adjustments primarily involving the Capital Adjustment Account						
Reversals of items debited or credited to the Comprehensive Income and Expenditure Statement						
Amortization of Intangible Assets	(245)	0	0	0	0	245
Charges for the Depreciation and Impairment of Non Current Assets	(6,028)	0	0	0	0	6,028
Revaluation Losses on Property, Plant and Equipment	(441)	(93,875)	0	0	0	83,234
Movements in the Market Value of Investment Properties	0	0	0	0	0	0
Capital Grants and Contributions Applied	6,872	0	0	0	3,433	(6,872)
Revenue Expenditure funded from Capital under Statute	(840)	0	0	0	0	840
Revenue Expenditure funded from Capital under Direction	(1,329)	0	0	0	0	1,329
Amounts of Non Current Assets written off on Disposal or Sale as						

	Usable Reserves					
Adjustments from Accounting to Funding Basis 2010/11	**General Fund Balance** **£'000**	**Housing Revenue Account Balance** **£'000**	**Capital Receipts Reserve** **£'000**	**Major Repairs Reserve** **£'000**	**Capital Grants Unapplied** **£'000**	**Movement in Unusable Reserves** **£'000**
part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	0	(486)	0	0	0	486
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory Provision for the financing of Capital Investment	5,680	0	0	0	0	(5,239)
Capital Expenditure charged against the General Fund and Housing Revenue Account Balances	0	0	0	0	0	0
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	3,584	0	0	0	(3,584)	0
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of Sale Proceeds credited as part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	864	942	(1,806)	0	0	0
Use of Capital Receipts to finance Capital Expenditure	0	0	58	0	0	(58)

	Usable Reserves					
Adjustments from Accounting to Funding Basis 2010/11	**General Fund Balance** **£'000**	**Housing Revenue Account Balance** **£'000**	**Capital Receipts Reserve** **£'000**	**Major Repairs Reserve** **£'000**	**Capital Grants Unapplied** **£'000**	**Movement in Unusable Reserves** **£'000**
in the year						
Contribution from the Capital Receipts Reserve towards the administrative costs of Non Current Asset Disposals	(70)	0	70	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government's Capital Receipts Pool	(667)	0	667	0	0	0
Adjustments primarily involving the Major Repairs Reserve						
Reversal of the Major Repairs Allowance credited to the Housing Revenue Account	0	7,208	0	(7,208)	0	7,208
Transfer from the Major Repairs Reserve to the HRA Balance	0	(2,742)	0	2,742	0	0
Use of the Major Repairs Reserve to finance Capital Expenditure in the year	0	0	0	3,556	0	(3,556)
Adjustments primarily involving the Financial Instruments Adjustment Account						
Amount by which Finance Costs charged to the Comprehensive Income and Expenditure Account are different from the Finance Costs charged in the year in accordance with Statutory Requirements	(17,298)	0	0	0	0	17,298

	Usable Reserves					
Adjustments from Accounting to Funding Basis 2010/11	**General Fund Balance** **£'000**	**Housing Revenue Account Balance** **£'000**	**Capital Receipts Reserve** **£'000**	**Major Repairs Reserve** **£'000**	**Capital Grants Unapplied** **£'000**	**Movement in Unusable Reserves** **£'000**
Adjustments primarily involving the Pensions Reserve						
Reversal of Items relating to Retirement Benefits debited or credited to the Comprehensive Income and Expenditure Statement – Note 42	19,630	(194)	0	0	0	(19,436)
Employers Pensions Contributions and Direct Payments to Pensioners payable in the year	11,183	0	0	0	0	(11,183)
Adjustment primarily involving the Collection Fund Adjustment Account						
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax Income calculated for the year in accordance with Statutory Requirements	(351)	0	0	0	0	351
Adjustment primarily involving the Accumulated Absences Account						
Amount by which Officer Remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is	165	(36)	0	0	0	(129)

	Usable Reserves					
Adjustments from Accounting to Funding Basis 2010/11	**General Fund Balance** **£'000**	**Housing Revenue Account Balance** **£'000**	**Capital Receipts Reserve** **£'000**	**Major Repairs Reserve** **£'000**	**Capital Grants Unapplied** **£'000**	**Movement in Unusable Reserves** **£'000**
different from Remuneration chargeable in the year in accordance with Statutory Requirements						
Other Adjustments						
Additions to Property, Plant and Equipment financed from Revenue in previous years	44	0	0	0	0	(44)
Total Adjustments	**20,752**	**(89,183)**	**(1,011)**	**(909)**	**(151)**	**70,502**

	Usable Reserves					
Adjustments from Accounting to Funding Basis 2009/10 Comparatives	**General Fund Balance** **£'000**	**Housing Revenue Account Balance** **£'000**	**Capital Receipts Reserve** **£'000**	**Major Repairs Reserve** **£'000**	**Capital Grants Unapplied** **£'000**	**Movement in Unusable Reserves** **£'000**
Adjustments primarily involving the Capital Adjustment Account						
Reversals of items debited or credited to the Comprehensive Income and Expenditure Statement						
Amortization of Intangible Assets	(245)	0	0	0	0	245
Charges for the Depreciation and Impairment of Non Current Assets	(5,575)	0	0	0	0	5,575
Revaluation Losses on Property, Plant and Equipment	(9,989)	(16,220)	0	0	0	26,798
Movements in the Market Value of Investment Properties	(26)	0	0	0	0	26
Capital Grants and Contributions Applied	5,994	0	0	0	0	(5,994)

Adjustments from Accounting to Funding Basis 2009/10 Comparatives	Usable Reserves General Fund Balance £'000	Housing Revenue Account Balance £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
to Capital Financing						
Revenue Expenditure Funded from Capital under Statute	(2,166)	0	221	0	0	1,945
Amounts of Non Current Assets written off on Disposal or sale as part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	(5,848)	(771)	0	0	0	5,770
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory and Voluntary Provision for the financing of Capital Investment	5,189	(158)	0	0	0	(5,031)
Capital Expenditure charged against the General Fund and Housing Revenue Account Balances	4	0	0	0	0	(4)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	16,551	0	0	0	(16,551)	0
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of Sale Proceeds credited as part of the Gain/Loss						

	Usable Reserves					
Adjustments from Accounting to Funding Basis 2009/10 Comparatives	**General Fund Balance** **£'000**	**Housing Revenue Account Balance** **£'000**	**Capital Receipts Reserve** **£'000**	**Major Repairs Reserve** **£'000**	**Capital Grants Unapplied** **£'000**	**Movement in Unusable Reserves** **£'000**
on Disposal to the Comprehensive Income and Expenditure Statement	329	1,184	(1,513)	0	0	0
Use of Capital Receipts to finance Capital Expenditure in the year	0	0	46	0	0	(46)
Contribution from the Capital Receipts Reserve towards the administrative costs of Non Current Asset Disposals	(60)	0	60	0	0	0
Contribution from the Capital Receipts Reserve to finance the Payments to the Government's Capital Receipts Pool	(815)	0	815	0	0	0
Adjustments primarily involving the Major Repairs Reserve						
Transfer from the HRA balance to the Major Repairs Reserve	0	2,763	0	(2,763)	0	0
Reversal of the Major Repairs Allowance debited to the Housing Revenue Account	(7,598)	7,598	0	(7,598)	0	7,598
Use of the Major Repairs Allowance to finance Capital Expenditure in the year	0	0	0	7,504	0	(7,504)
Adjustments primarily involving the Financial Instruments Adjustment Account						
Amount by which Finance Costs charged to the Comprehensive	(259)	0	0	0	0	259

	Usable Reserves					
Adjustments from Accounting to Funding Basis 2009/10 Comparatives	**General Fund Balance £'000**	**Housing Revenue Account Balance £'000**	**Capital Receipts Reserve £'000**	**Major Repairs Reserve £'000**	**Capital Grants Unapplied £'000**	**Movement in Unusable Reserves £'000**
Income and Expenditure Statement are different from the Finance Costs charged in the year in accordance with Statutory Requirements						
Adjustments primarily involving the Pensions Reserve						
Reversal of Items relating to Retirement Benefits debited or credited to the Comprehensive Income and Expenditure Statement	(48,057)	0	0	0	0	48,057
Employers Pensions Contributions and Direct Payments to Pensioners payable in the year	10,555	0	0	0	0	(10,555)
Adjustment primarily involving the Collection Fund Adjustment Account						
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax Income calculated for the year in accordance with Statutory Requirements	(364)	0	0	0	0	364
Adjustment primarily involving the Accumulated Absences Account						
Amount by which Officer Remuneration						

	Usable Reserves					
Adjustments from Accounting to Funding Basis 2009/10 Comparatives	**General Fund Balance £'000**	**Housing Revenue Account Balance £'000**	**Capital Receipts Reserve £'000**	**Major Repairs Reserve £'000**	**Capital Grants Unapplied £'000**	**Movement in Unusable Reserves £'000**
charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the Remuneration chargeable in the year in accordance with Statutory Requirements	(416)	0	0	0	0	416
Other Adjustments						
Adjustment for Deferred Purchase Accounting (£316k), reversal of HRA Pensions from General Fund but not HRA (-£44k) and roundings	260	0	0	0	0	0
Total Adjustments	**(42,536)**	**(5,604)**	**(371)**	**(2,857)**	**(16,551)**	**67,919**

Note 8. ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations in 2009/10 or 2010/11.

Note 9. EXCEPTIONAL ITEMS

There were no exceptional items in 2009/10, there were exceptional material items in 2010/11 see Note 5.

Note 10. DEPLOYMENT OF DEDICATED SCHOOLS GRANT

The Authority's expenditure on schools is funded primarily by grant monies, the Dedicated Schools Grant (DSG), provided by the Department for Education. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the School Finance (England) Regulations 2008. The Schools' Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools' Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/11 are as follows:

Notes	Dedicated Schools Grant	Central Expenditure £'000	ISB £'000	Total £'000
A	Final DSG for 2010/11	(11,949)	(85,403)	(97,352)
B	Plus brought forward from 2009/10	(372)	0	(372)
C	Less carry forward to 2011/12 agreed in advance	267	0	267
D	Agreed budgeted distribution in 2010/11	**(12,054)**	**(85,403)**	**(97,457)**
E	In Year Budget Adjustment	762	(762)	0
F	Actual Central Expenditure	10,082	0	10,082
G	Actual ISB deployed to Schools	0	86,165	86,165
H	Plus Authority Contribution 2010/11	0	0	0
I	**Carry Forward to 2011/12**	**(1,210)**	**0**	**(1,210)**

Comparatives for 2009/10 were as follows:

	Income	(15,161)	(81,149)	(96,310)
	Less Expenditure	10,932	85,006	95,938
	Carry Forward to 2010/11	**(4,229)**	**3,857**	**(372)**

Under the Accounts and Audit Regulations 2003 (as amended) the above table is required to demonstrate that the Authority has passed an appropriate and significant proportion of DSG to schools. Spending by schools of these monies is included in the Comprehensive Income and Expenditure Statement with their outturn position reflected in the Movement in Reserves Statement.

Notes	
A	DSG figure as issued by the Department for Education in February 2011.
B	The figure brought forward from 2009/10 is the unspent contingency for that year.
C	This is the amount that the Authority decided, after consultation with the schools forum, to carry forward to 2011/12 rather than distribute in 2010/11.
D	This is the budgeted distribution of DSG, adjusted for in year Academy conversions, as agreed with the schools forum.
E	This is the budgeted transfer from contingency to the ISB.
F	This is the actual amount of central expenditure in 2010/11 after the allocations of contingency to the ISB.
G	This the amount of ISB actually distributed to schools. ISB is regarded for DSG purposes as spent by the Authority once it is deployed to schools' budget shares.
H	This comprises any contribution from the Authority in 2010/11 which would have had the effect of substituting for DSG in funding the Schools Budget.
I	This is the carry forward to 2011/12.

Note 11. OUTSTANDING OBLIGATIONS ARISING FROM LONG TERM CONTRACTS

On 1 April 2005 the Authority entered into a long-term contract with Vertex Data Service Ltd for the provision of several support service functions. At 31 March 2011 the financial obligations of the Authority remaining to be discharged under the contract, at 2010/11 prices, totalled a minimum of £187 million (10 years remaining at £18.7 million per annum). This is reported as the minimum obligation since in accordance with the agreement the Authority may agree additional investment by Vertex subject to its being convinced that there is a sound business case for such proposed investment.

Within this contract there is an embedded lease that, under IFRS, the Authority is required to account for separately. Thus, in the opening Balance Sheet, a matching leased asset and lease liability have been set up; the subsequent transactions are summarised in the table below:

	Embedded Lease	**2009/10 £'000**	**2010/11 £'000**
A	Opening Lease Asset/Liability at 1 April	**3,248**	**2,894**
B	Additions in year	0	352
	Notional Lease Rental:		
C	Principal Repayment	354	441
D	Finance Costs	216	213
	Total Lease Rental	570	654
	Closing Lease Asset/Liability at 31 March (A+B-C)	**2,894**	**2,805**

The figures above have been incorporated into the opening Balance Sheet as at 1 April 2009 and the previous year Balance Sheet as at 31 March 2010.

Note 12. TRADING OPERATIONS

The Authority did not operate any trading undertakings in 2009/10 or 2010/11.

Note 13. AGENCY SERVICES

The Authority is required to disclose the nature and amount of any significant income or expenditure arising from agency arrangements. In 2009/10 and 2010/11 the Council had no such arrangements of material value.

Note 14. OTHER OPERATING EXPENDITURE

Other Operating Expenditure in the Comprehensive Income and Expenditure Statement comprises the following:

Other Operating Expenditure	**2009/10 £'000**	**2010/11 £'000**
Levies	479	570
Payment to Government Housing Capital Receipts Pool	815	667
Gains/Losses on Disposal of Non Current Assets	5,106	(456)
Totals	**6,400**	**781**

Note 15. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement comprise the following:

Financing and Investment Income and Expenditure	**2009/10 £'000**	**2010/11 £'000**
Interest Payable and Similar Charges	6,295	21,148
Pensions Interest Cost and Expected Return on Pensions Assets	7,618	6,434
Interest Receivable and Similar Income	(911)	(524)
Income and Expenditure in respect of Investment Properties and Changes to their Fair Value	26	0

Financing and Investment Income and Expenditure	2009/10 £'000	2010/11 £'000
Leased Assets Finance Costs	216	119
Totals	**13,244**	**27,177**

Note 16. TAXATION AND NON SPECIFIC GRANT INCOME

Taxation and non specific grant income in the Comprehensive Income and Expenditure Statement comprises the following:

Taxation and Non Specific Grant Income	2009/10 £'000	2010/11 £'000
Council Tax Income	(55,436)	(56,997)
Transfer of Share of Collection Fund Surplus	(20)	11
Non Domestic Rates	(47,144)	(52,187)
Non Ring-fenced Government Grants:		
Revenue Support Grant	(10,882)	(7,578)
Local Area Based Grant	(7,229)	(9,121)
Capital Grants and Contributions	(16,551)	(7,958)
Totals	**(137,262)**	**(133,830)**

Note 17. MEMBERS' ALLOWANCES

The Authority paid the following amounts to Members of the Council during the year:

Members' Allowances	2009/10 £'000	2010/11 £'000
Salaries	0	0
Allowances	628	620
Expenses	1	1
Totals	**629**	**621**

Note 18. REMUNERATION OF SENIOR STAFF

The table below includes the details of staff earning over £50,000, excluding those members of staff who are also separately disclosed, the table shows the remuneration of staff earning over £50,000 within defined ranges employed by Thurrock Council and school employees that the Authority directly employs. Foundation schools are reported in a separate table.

Remuneration of Senior Staff	2009/10			2010/11		
Pay Band	Numbers of Employees			Numbers of Employees		
	TBC	Schools		TBC	Left in Year	Schools
50,001 - 55,000	24	15		21	0	17
55,001 - 60,000	9	7		14	0	11
60,001 - 65,000	8	12		11	2	3
65,001 - 70,000	10	8		8	1	10
70,001 - 75,000	1	4		7	4	7
75,001 - 80,000	3	2		2	0	6
80,001 - 85,000	3	0		4	3	4
85,001 - 90,000	2	0		5	2	1

Remuneration of Senior Staff	2009/10			2010/11		
Pay Band	Numbers of Employees			Numbers of Employees		
	TBC	Schools		TBC	Left in Year	Schools
90,001 - 95,000	3	0		6	3	0
95,001 - 100,000	2	0		0	0	0
100,001 - 105,000	0	0		1	1	0
105,001 - 110,000	0	0		0	0	0
110,001 - 115,000	0	0		0	0	0
115,001 - 120,000	0	0		0	0	0
120,001 - 125,000	0	0		0	0	0
125,001 - 130,000	0	0		0	0	0
130,001 - 135,000	0	0		0	0	0
135,001 - 140,000	0	0		1	1	0

Remuneration for the purposes of this disclosure includes all amounts paid to or receivable by an employee, all expenses paid or due and subject to UK tax, and any benefits in kind declarable for tax purposes.

Remuneration includes any redundancy payments. The 2010/11 figures include a number of employees who received redundancy payments which inflated their remuneration.

2010/11 Senior Staff (i.e. chief officers with strategic duties) emoluments, not included above, where the annual salary was greater than £150,000, were as follows:

Senior Staff Emoluments 2010/11	Salary, Fees and Allowances £	Bonus £	Expenses Allowances £	Pension Contrib-ution £	Total £
Chief Executive – Graham Farrant (Note 1)	124,273	0	0	14,818	139,091

Notes	
1	The Chief Executive started his employment at the authority on 2 August 2011. The annualised salary is £185,000.

The post of Chief Executive was filled by an Interim until 30 July 2010. This Chief Executive was employed through Advanced Human Resources which was paid £81,390 for their services. This is the amount paid to the company and may not be what the individual receives from them.

2010/11 Senior Staff (i.e. chief officers with strategic duties) emoluments, not included above, where the salary is between £50,000 and £150,000 per annum, were as follows:

Senior Staff Emoluments 2010/11	Salary, Fees and Allowances £	Bonus £	Expenses Allowances £	Pension Contrib-ution £	Total £
Director of Community Well Being	127,362	0	0	16,047	143,409

Senior Staff Emoluments 2010/11	**Salary, Fees and Allowances £**	**Bonus £**	**Expenses Allowances £**	**Pension Contrib-ution £**	**Total £**
Director of Sustainable Communities	126,643	0	0	15,957	142,600
Director of Children's' Services	132,000	0	0	16,632	148,632
Director of Finance and Corporate Governance (Note 1)	92,777	0	0	11,689	104,466
Head of Corporate Finance (Note 1)	24,511	0	0	3,088	27,599
Director of Change and Improvement (Note 2)	20,917	0	0	2,636	23,553
Head of Legal Services	95,502	0	0	12,033	107,535

Notes	
1	The Head of Corporate Finance was the Section 151 Officer until the 5 July 2011 when they were replaced as Section 151 Officer by the Director of Finance and Corporate Governance who started with the Authority on the same date. The annual salary for the Director of Finance and Corporate Governance is £125,502.
2	The Director of Transformation was appointed on a fixed term contract from 1 February 2011. The annual salary is £125,502. Prior to the appointment they were employed as an interim through Pragmatic Change Solutions which was paid £154,400 for their services.

Senior Staff Emoluments 2009/10 Comparatives	**Salary, Fees and Allowances £**	**Bonus £**	**Expenses Allowances £**	**Pension Contrib-ution £**	**Total £**
Director of Community Well Being	118,102	6,821	5,000	15,083	145,006
Director of Sustainable Communities	115,374	6,821	5,000	14,753	141,948
Director of Children's Services (Note 1)	56,452	0	0	6,750	63,202
Head of Corporate Finance (Note 2)	40,972	0	0	5,242	46,214
Head of Legal Services (Note 3)	45,011	0	0	5,326	50,337

Notes	
1	The current Director of Children's Services started with the Authority on 19 October 2009.
2	The Head of Corporate Finance started on the 28 September 2009 and became the Section 151 Officer of the Authority.
3	The current Head of Legal Services and the Authority's Monitoring Officer started employment with the Authority on 5 October 2009.

Foundation Schools

The table below includes the remuneration of Foundation school staff earning over £50,000.
One Head Teacher earns more than £150,000.

Remuneration of Senior Staff Pay Band £	**2009/10 Numbers of Employees Foundation Schools**		**2010/11 Numbers of Employees Foundation Schools**
50,001 - 55,000	39		26
55,001 - 60,000	6		17

Remuneration of Senior Staff Pay Band £	2009/10 Numbers of Employees Foundation Schools		2010/11 Numbers of Employees Foundation Schools
60,001 - 65,000	7		7
65,001 - 70,000	5		5
70,001 - 75,000	3		2
75,001 - 80,000	4		2
80,001 - 85,000	3		3
85,001 - 90,000	1		2
90,001 - 95,000	0		0
95,001 - 100,000	1		0
100,001 - 105,000	0		1
105,001 - 110,000	0		0
110,001 - 115,000	1		0
115,001 - 120,000	0		0
120,001 - 125,000	0		0
125,001 - 130,000	0		0
130,001 - 135,000	0		1
135,001 - 140,000	0		0
140,001 - 145,000	0		0
145,001 - 150,000	0		0
150,001 - 155,000	0		0
155,001 - 160,000	0		0
160,001 - 165,000	0		0
165,001 – 170,000	0		0
170,001 – 175,000	0		1

Remuneration for the purposes of this disclosure includes all amounts paid to or receivable by an employee, all expenses paid or due and subject to UK tax, and any benefits in kind declarable for tax purposes.

Senior Staff Emoluments 2009/10 Comparatives Post Title and Name	Salary, Fees and Allowances £	Bonus £	Expenses Allowances £	Pension Contrib ution £	Total £
John King OBE	155,891	0	0	21,981	177,872

John King OBE was Headmaster at Gable Hall and William Edwards School – the cost was shared between the two schools.

Note 19. RELATED PARTY TRANSACTIONS

The Authority is required to disclose material transactions with related parties. These are bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows an assessment to be made of the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. The Authority has decided not to make disclosures with regard to family/household members, on the basis that there is no reasonable expectation of influence over the independent action of Authority Members.

Central Government

Central Government has effective control over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, it

provides the majority of the Authority's funding in the form of grants and it prescribes the terms of many of the transactions that the Authority has with other parties, such as those in respect of Housing and Council Tax Benefit. Details of grants received from Government Departments are set out in Note 46.

Members and Other Public Bodies

Members of the Council have direct control over the Authority's financial and operating policies. There has only been one material transaction with related parties disclosed but the reported financial position of the Authority has not been affected by the existence of this transaction. Cllr Lynn Worrall declared that her partner's company ALM Training Services, of which she is Company Secretary, received in excess of £60,000 in fees during the financial year. In discussion with the relevant officers, it is clear that the Authority's relationship with ALM Training Services started some two to three years before Cllr Worrall was elected and it is this long running relationship, along with ALM Training Services being the only local provider of this type of training, that led to the relationship last year.

Members of the Council have direct control over the Authority's financial and operating policies. There were no material transactions with related parties nor has the reported financial position of the Authority been affected by the existence of related parties. However, the Authority did pay Trans-Vol £210,197 and Thurrock MIND £212,203 for services. Many Council Members, by virtue of their office have links with organisations that are associated with the Authority but have neither pecuniary nor controlling interests in them. The more significant of these include Essex Police Authority and Essex Fire Authority, to which the Authority pays over precepts raised on their behalf, the Anglian Regional Flood Defence Committee, to which the Authority pays a levied sum, South West Essex PCT and the Basildon and Thurrock Hospitals NHS Foundation Trust and the Gateway Academy which is funded by the Department for Education. Following the creation of the Urban Development Corporation, Council Members were elected to that body, although no financial transactions took place between the Authority and the Corporation in 2010/11. Each of these public bodies is ultimately accountable to Central Government.

As at 27 June 2011, three related party returns had not been received. These are from former councillors Burley, Colgate and Cowell who were all councillors for the first five weeks of the financial year before standing down at the election in May 2010. Without a declaration it is not possible to report whether there has been a related party transaction between and one of them and the Authority.

Entity significantly influenced by the Authority

The Authority provided £557,239 financial assistance as a grant to Impulse Leisure, which resulted in it having a significant level of influence over their operations. In addition a £250,000 loan to be repaid over five years at the 5 year fixed PWLB rate on the date of the loan was made to Impulse Leisure. Impulse Leisure also received £185,157 for payment for services. Impulse Leisure is a charitable trust formed as a consequence of the transfer of former Authority run leisure services.

In addition a number of local organisations have received grants and payments for services. These are:

Thurrock Arts Council - £23,405;
Thurrock Asian Association - £17,340;
Thurrock Racial Unity Support Group (TRUST) - £88,784;
Thurrock Community Chest - £1,250.

Note 20. EXTERNAL AUDIT COSTS

In 2010/11 the Authority incurred the following costs relating to the audit of the Statement of Accounts, certification of grant claims and statutory inspections:

External Audit Costs	**2009/10 £'000**	**2010/11 £'000**
Fees Payable to the Audit Commission:		
- External Audit Services including Statutory Inspections	404	392
- Certification of Grant Claims and Returns	96	135
Totals	**500**	**527**

Note 21. TRANSFERS TO/FROM EARMARKED RESERVES

The Authority maintains a number of reserves which have been set up voluntarily as a means of earmarking resources to meet future spending needs. This note shows details of amounts set aside in the year and of amounts posted back to meet General Fund expenditure in the year.

Earmarked Reserves - General Fund 2010/11	**Balance at 1 April 2010 £'000**	**Transfers Out £'000**	**Transfers In £'000**	**Balance at 31 March 2011 £'000**
Balances held by Schools under a Scheme of Delegation	(9,609)	4,211	(4,175)	(9,573)
General Fund	0	0	0	0
LABGI	(955)	126	(188)	(1,017)
Best Value	0	0	0	0
Modernisation	0	0	0	0
Single Status	0	0	0	0
Electronic Government Information Technology	(171)	0	(170)	(341)
Building Control	(7)	0	(29)	(36)
Capital Expenditure	(997)	0	0	(997)
LGR SCA Provision	0	0	0	0
Waste	(60)	0	0	(60)
MMI	(290)	290	0	0
Historic Buildings	(64)	0	0	(64)
The Saltings, Tilbury	(2)	0	0	(2)
Fraud Recovery	0	0	0	0
Repairs and Renewals	0	0	0	0
Museum Donations	(15)	0	0	(15)
Trusts	0	0	0	0
Revenue Grants Unapplied	(175)	52	(2,838)	(2,961)
Totals	**(12,345)**	**4,679**	**(7,400)**	**(15,066)**

Earmarked Reserves General Fund 2009/10 Comparatives	Balance at 1 April 2009 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31 March 2010 £'000
Balances held by Schools under a Scheme of Delegation	(9,932)	323	0	(9,609)
General Fund	(5,502)	5,502	0	0
LABGI	0	0	(955)	(955)
Best Value	(69)	69	0	0
Modernisation	(642)	642	0	0
Single Status	(169)	169	0	0
Electronic Government Information Technology	(176)	5	0	(171)
Building Control	(118)	111	0	(7)
Capital Expenditure	(1,272)	275	0	(997)
LGR SCA Provision	(1,970)	1,970	0	0
Waste	(550)	490	0	(60)
MMI	(290)	0	0	(290)
Historic Buildings	(63)	0	(1)	(64)
The Saltings, Tilbury	(2)	0	0	(2)
Fraud Recovery	(2)	2	0	0
Repairs and Renewals	(20)	20	0	0
Museum Donations	(15)	0	0	(15)
Trusts – restated (Note 51)	0	0	0	0
Revenue Grants Unapplied – restated (Note 51)	(485)	310	0	(175)
Totals	**(21,277)**	**9,888**	**(956)**	**(12,345)**

The purposes of the above reserves are summarised as follows:

The Balances held by Schools under a Scheme of Delegation comprise the working balances controlled by School Governors in the management of their annual shares of DSG and other income.

The balance on the General Fund Reserve has been set aside to assist with future years' budgets.

The Best Value Reserve was set up to provide a resource to finance the cost of work required to achieve Best Value throughout the Authority.

The Modernisation Reserve was set up at the Cabinet meeting of 25 July 2002 in order to meet the costs associated with modernising Council services.

The Single Status Reserve was set up at the Cabinet meeting of 25 July 2002 in order to meet the costs associated with implementing its commitment to single status and the associated job evaluation scheme. The Cabinet at its meeting on 14 June 2006 to review the 2005/06 outturn agreed to transfer £200,000 from the General Fund Reserve to the Single Status Reserve to fund the shortfall in provision required to fund Job Evaluation back-pay in 2005/06.

The Electronic Government Information Technology Reserve has been set up to fund projects to promote electronic government in accordance with the Government's agenda.

The Building Control Reserve has been established in accordance with legislation under the Building (Local Authority Charges) Regulations 1998. Any surpluses arising from the revenue account is held to finance future operations.

The Capital Expenditure Reserve is used to supplement the resources available to finance future capital expenditure.

LGR SCA Reserve was a reserve set up to fund additional borrowing following Local Government Reorganisation in 1998.

The Waste Development Reserve has been set up in accordance with the decision of the Cabinet meeting on 22 March 2006 to meet the costs of the procurement process for a long-term waste solution.

The MMI reserve was set up (Council minute PR136 2.3.94) to meet any levy or reductions in claims under the MMI Scheme of Arrangement drawn up by that Company to permit the orderly winding up of its business. The Council has approximately £1.275 million of outstanding claims lodged with MMI. The balance in the MMI reserve has been transferred into the insurance provision to meet any outstanding obligations.

The Historic Buildings Reserve was established to meet the cost of purchasing any historic buildings within the Borough, which are at risk due to lack of maintenance (Council minute PR48 4.8.92).

The Saltings Tilbury represents income earned set aside to finance future work at the site.

The Museum Donations Reserve represents funds set aside for specific purposes associated with the Thurrock Museum.

The Fraud Recovery Reserve was set up for the reimbursement of benefit fraud cases.

The Repairs and Renewals Reserve was set up to fund the repair and replacement of plant and vehicles.

Note 22. PROPERTY, PLANT AND EQUIPMENT

Movements on the balances of Property, Plant and Equipment in 2010/11 are summarised as follows:

Property, Plant and Equipment – 2010/11 **Table 1** **Cost and Valuation Changes**	**Council Dwellings** **£'000**	**Other Land and Buildings** **£'000**	**Vehicles, Plant, Furniture and Equipment** **£'000**	**Community Assets** **£'000**	**Infrastructure Assets** **£'000**
Gross Book Value as at 1 April 2010	**537,314**	**273,074**	**8,150**	**12,804**	**67,506**
Additions	4,898	4,699	5,473	1,073	4,955
De-recognitions - Disposals	0	(275)	(1)	0	0
De-recognitions - Other	0	0	0	0	0
Revaluations Recognised in the Revaluation Reserve	(1,529)	3,928	0	2,181	0
Revaluations Recognised in the Income and Expenditure Statement	(85,137)	(4,327)	0	0	0
Transfers to/from Assets Held for Sale	(553)	0	0	0	0
Other Movements in Cost or Valuation	0	(9,912)	0	0	0
Gross Book Value as at 31 March 2011	**454,992**	**267,187**	**13,623**	**16,058**	**72,461**

Property, Plant and Equipment – 2010/11 Table 1 Cost and Valuation Changes	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Community Assets £'000	Infrastructure Assets £'000
Accumulated Depreciation and Impairment 2010/11					
Balance as at 1 April 2010	**(6,820)**	**(2,725)**	**(3,985)**	**(3,067)**	**(10,373)**
Depreciation Charge for Year	(6,417)	(2,703)	(1,529)	(470)	(1,923)
Depreciation Written back to the Revaluation Reserve	6	0	0	0	0
Depreciation Written back to the Income and Expenditure Statement	7	0	0	0	0
Impairments/Reversals Recognised in the Revaluation Reserve	0	0	0	0	0
Impairments/Reversals Recognised in the Income and Expenditure Statement	0	0	0	0	0
De-recognitions - Disposals	0	0	1	0	0
De-recognitions - Other	0	0	0	0	0
Other Movements in Depreciation and Impairment	0	41	0	0	0
Balance as at 31 March 2011	**(13,224)**	**(5,387)**	**(5,513)**	**(3,537)**	**(12,296)**
Net Book Value as at 1 April 2010	**530,493**	**270,349**	**4,165**	**9,737**	**57,133**
Net Book Value as at 31 March 2011	**441,768**	**261,800**	**8,110**	**15,221**	**60,165**

Property, Plant and Equipment 2010/11 Table 2 continued Cost and Valuation Changes	Assets under Construction £'000	Land Awaiting Development £'000	Commercial Properties £'000	Surplus Assets Awaiting Disposal £'000	Total Assets Table 1+2 £'000
Gross Book Value as at 1 April 2010	**15**	**31,014**	**15,715**	**4,196**	**949,787**
Additions	58	11	0	8	21,175
De-recognitions - Disposals	0	0	0	0	(276)
De-recognitions - Other	0	0	0	0	0
Revaluations Recognised in the Revaluation Reserve	0	0	1,566	6	6,152
Revaluations Recognised in the Income and Expenditure Statement	0	349	0	(8)	(89,123)
Transfers to/from Assets held for Sale	0	0	0	0	(553)
Other Movements in Cost and Valuation	0	1,690	0	8,222	0
Gross Book Value as at 31 March 2011	**72**	**33,064**	**17,281**	**12,424**	**887,162**

Property, Plant and Equipment 2010/11 Table 2 continued Cost and Valuation Changes	Assets under Construction £'000	Land Awaiting Development £'000	Commercial Properties £'000	Surplus Assets Awaiting Disposal £'000	Total Assets Table 1+2 £'000
Accumulated Depreciation and Impairment 2010/11					
Balance as at 1 April 2010	**0**	**(1)**	**(127)**	**(5)**	**(27,103)**
Depreciation Charge for Year	0	(1)	(147)	(47)	(13,238)
Depreciation Written back to the Revaluation Reserve	0	0	0	0	6
Depreciation Written back to the Income and Expenditure Statement	0	0	0	0	7
Impairments/Reversals Recognised in the Revaluation Reserve	0	0	0	0	0
Impairments/ Reversals Recognised in the Income and Expenditure Statement	0	0	0	0	0
De-recognitions - Disposals	0	0	0	0	1
De-recognitions - Other	0	0	0	0	0
Other Movements in Depreciation and Impairment	0	0	0	(41)	0
Balance as at 31 March 2011	**0**	**(2)**	**(274)**	**(94)**	**(40,327)**
Net Book Value as at 1 April 2010	**15**	**31,013**	**15,588**	**4,191**	**922,684**
Net Book Value as at 31 March 2011	**72**	**33,063**	**17,007**	**12,330**	**846,835**

Property, Plant and Equipment – 2009/10 Comparatives Table 1 Cost and Valuation Changes	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Community Assets £'000	Infra-structure Assets £'000
Gross Book Value as at 1 April 2009	**537,882**	**284,831**	**5,387**	**11,676**	**64,763**
Additions	8,727	5,321	2,854	1,128	2,743
De-recognitions - Disposals	(747)	(5,862)	(91)	0	0
De-recognitions - Other	0	0	0	0	0
Revaluations Recognised in the Revaluation Reserve	(137)	2,409	0	0	0
Revaluations Recognised in the Income and Expenditure Statement	(8,800)	(14,817)	0	0	0
Transfers to/from Assets held for Sale	0	0	0	0	0
Other Movements in Cost or Valuation	389	1,192	0	0	0
Gross Book Value at 31 March 2010	**537,314**	**273,074**	**8,150**	**12,804**	**67,506**
Accumulated Depreciation and					

Property, Plant and Equipment – 2009/10 Comparatives Table 1 Cost and Valuation Changes	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Community Assets £'000	Infra-structure Assets £'000
Impairment 2009/10 Comparatives					
Balance as at 1 April 2009	**(23)**	**(9)**	**(2,962)**	**(2,658)**	**(8,518)**
Depreciation Charge for year	(6,803)	(2,823)	(1,113)	(409)	(1,855)
Depreciation Written back to the Revaluation Reserve	0	15	0	0	0
Depreciation Written back to the Income and Expenditure Statement	6	97	90	0	0
Impairments/Reversals Recognised in the Revaluation Reserve	0	0	0	0	0
Impairments/Reversals Recognised in the Income and Expenditure Statement	0	0	0	0	0
De-recognitions - Disposals	0	0	0	0	0
De-recognitions - Other	0	0	0	0	0
Other Movements in Depreciation and Impairment	0	(5)	0	0	0
Balance as at 31 March 2010	**(6,820)**	**(2,725)**	**(3,985)**	**(3,067)**	**(10,373)**
Net Book Value as at 1 April 2009	**537,859**	**284,822**	**2,425**	**9,018**	**56,245**
Net Book Value as at 31 March 2010	**530,493**	**270,349**	**4,165**	**9,737**	**57,133**

Property, Plant and Equipment – 2009/10 Comparatives Table 2 - continued Cost and Valuation Changes	Assets under Construc-tion £'000	Land Awaiting Development £'000	Commercial Properties £'000	Surplus Assets Awaiting Disposal £'000	Total Assets Table 1+2 £'000
Gross Book Value as at 1 April 2009	**10,488**	**21,343**	**15,913**	**8,610**	**960,893**
Additions	15	331	176	368	21,663
De-recognitions - Disposals	0	0	0	0	(6,700)
De-recognitions - Other	0	0	0	0	0
Revaluations recognised in the Revaluation Reserve	0	0	0	(1,230)	1,042
Revaluations recognised in the Income and Expenditure Statement	0	(331)	0	(3,163)	(27,111)
Transfers to/from Assets held for Sale	0	0	0	0	0
Other Movements in Cost and Valuation	(10,488)	9,671	(374)	(389)	0
Gross Book Value as at 31 March 2010	**15**	**31,014**	**15,715**	**4,196**	**949,787**

Property, Plant and Equipment – 2009/10 Comparatives Table 2 - continued Cost and Valuation Changes	Assets under Construc-tion £'000	Land Awaiting Development £'000	Commercial Properties £'000	Surplus Assets Awaiting Disposal £'000	Total Assets Table 1+2 £'000
Accumulated Depreciation and Impairment – 2009/10 Comparatives - continued					
Balance as at 1 April 2009	**0**	**0**	**0**	**0**	**(14,170)**
Depreciation Charge for year	0	(5)	(127)	(37)	(13,172)
Depreciation written back to the Revaluation Reserve	0	0	0	29	44
Depreciation written back to the Income and Expenditure Statement	0	0	0	0	193
Impairments/Reversals recognised in the Revaluation Reserve	0	0	0	0	0
Impairments/Reversals recognised in the Income and Expenditure Statement	0	0	0	0	0
De-recognitions - Disposals	0	0	0	0	0
De-recognitions - Other	0	0	0	3	3
Other Movements in Depreciation and Impairment	0	4	0	0	(1)
Balance as at 31 March 2010	**0**	**(1)**	**(127)**	**(5)**	**(27,103)**
Net Book Value as at 1 April 2009	**10,488**	**21,343**	**15,913**	**8,610**	**946,723**
Net Book Value as at 31 March 2010	**15**	**31,013**	**15,588**	**4,191**	**922,684**

Valuation of Property, Plant and Equipment

The freehold and leasehold properties which comprise the Authority's property portfolio have been valued at 31 March 2011 by an external Valuer employed by Europa FM plc – P Singer MRICS, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors.

A desk top valuation of assets was undertaken to determine any increase or decrease in property values as at 31 March 2011. The desk top revaluation showed no change in asset values during the reporting period.

Details of the bases for the valuation of Property, Plant and Equipment are outlined in Note 1 to these financial statements – Summary of Significant Accounting Policies.

Note 23. CAPITAL FINANCING REQUIREMENT

The total amount of capital expenditure incurred in the year is shown in the table below, including the value of assets acquired under finance leases, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The methodology for the calculation of the CFR is set by central government regulation.

Capital Financing Requirement	2009/10 £'000	2010/11 £'000
Opening Capital Financing Requirement	**122,293**	**127,321**
Capital Investment:		
Property, Plant and Equipment	21,662	21,132
Investment Properties	0	0
Intangible Assets	0	0
Revenue Expenditure Funded from Capital under Statute	8,427	6,828
Revenue Expenditure Funded under Capitalisation Directive	0	1,329
Sources of Finance:		
Capital Receipts	(267)	(58)
Government Grants and Other Contributions	(12,129)	(12,712)
Sums set aside from Revenue:	(7,634)	(3,705)
Direct Revenue Contributions	(1,088)	(1,266)
Minimum Revenue Provision	(3,943)	(3,974)
Embedded leases in contracts		(441)
Closing Capital Financing Requirement	**127,321**	**134,454**
Explanation of Movements in Year:		
Increase in underlying need for Borrowing (Supported by Government Financial Assistance)	2,827	1,651
Embedded lease element in contracts		(441)
Increase in underlying need for Borrowing (Unsupported by Government Financial Assistance)	2,909	6,451
Assets acquired under Finance Leases	0	0
Additional contributions	(708)	(528)
Increase in Capital Financing Requirement	**5,028**	**7,133**

Note 24. CAPITAL COMMITMENTS

As at 31 March 2011, the Authority had authorised expenditure in future years of £13.718 million. In addition a further £13.385 million had been previously authorised for use in 2011/12 and 2012/13, giving a future years' commitment of £27.103 million. These commitments include the following significant schemes over (£0.250 million):

Capital Commitments – Schemes	Expenditure Approved in 2010/11 £'000	Expenditure Approved in 2011/12 £'000
West Thurrock Primary	530.1	0
Hassenbrook I.T. Block Replacement	303.9	0
14-19 Education Partnership	2,450.0	0
Transport	1,843.3	1,180.0
Housing HRA	3,107.7	1,102.9
Affordable Housing	1,050.4	992.9
Fleet Vehicle and Plant Replacement (including Waste Contract)	6,977.6	1,917.3
Traveller Sites Health and Safety Works	468.4	303.1
Children's Centres, Early Years and Quality and Access	1,144.0	307.5
Harnessing Technology	970.2	0
Playbuilder	400.0	0

Capital Commitments – Schemes	Expenditure Approved in 2010/11 £'000	Expenditure Approved in 2011/12 £'000
Healthy Home Loans	0	304
Replacement Roof at Corringham Leisure Centre	0	330
Salix Initiative Fund	0	485
Devolved Formula Capital	0	859
Gable Hall Multi Trades Skills Centre	0	2,940
Environment Science and Land Based Studies Centre	0	479
North West Skills Centre	0	1,300
Treetops School – Kitchen, Dining and Changing Rooms	0	1,336
Chafford Hundred Primary Expansion	0	2,330
Lansdowne Primary Phase 3 – Refurbishment of Middle Block	0	1,051
Purfleet Primary – Improvements to Classrooms	0	1,759
Stifford Primary – Additional Classrooms	0	1,996
Total	**19,245.6**	**15,169**

Note 25. CONTRACTUAL COMMITMENTS

The above schemes include the following contractual commitments:

Contractor	Scheme	2010/11 £'000	2011/12 £'000
Hutton Construction	Hassenbrook I.T. Block Replacement	819	21
Vinci Construction	West Thurrock Primary	115	0
Grehan Contractors	West Thurrock Primary	0	99
A W Hardy	Stifford Primary Children’s Centre	81	17
Vinci Construction	Ockendon Secondary	56	57
May Gurney	Recycling Centre	22	0
Borras Construction	Chafford Hundred Primary (Phase I)	0	496
Borras Construction	Lansdowne Primary	0	362
Ashe Construction	Purfleet Primary	0	1,334
Ashe Construction	Stifford Primary	0	1,349
Borras Construction	St Clere’s School	0	454
Turney Landscapes	St Clere’s School	0	98
Durkan	Affordable Housing	0	1,770

Note 26. SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

The following assets were owned as at 31 March 2011, the figures for 31 March 2010 shown as comparators:

Property, Plant and Equipment		31 March 2010	31 March 2011
Council Dwellings	Housing and Bungalows	5,570	5,561
	Flats and Maisonettes	3,530	3,528
	Aged Persons Dwellings	1,222	1,222
	Traveller Sites	3	3
Land and Buildings	Sports Centres	2	3
	Village Halls	16	19

Property, Plant and Equipment		31 March 2010	31 March 2011
	Community Halls	4	33
	Offices/Depots, etc.	17	20
	Car and Lorry Parks	20	26
	Garages	2,745	2,745
	Theatre	1	1
	Schools/Colleges	41	41
	Other Education Assets	19	26
	Residential Homes	3	3
	Other Social Services Assets	7	7
	Libraries	8	8
	Magistrates Court	1	1
	Landfill Site	1	2
	Other Housing Assets	3	7
	Other General Fund Assets	0	1
Vehicles, Plant, Furniture	Vehicles – Non Finance Lease	19	97
and Equipment	Plant – Non Finance Lease	11	18
	Computer Equipment	8	8
	Equipment - Other	6	11
Community Assets	Parks	94	132
	Burial Grounds	8	8
	Allotment Sites	33	35
	War Memorials	10	10
	Historic Buildings	1	1
Infrastructure	Highways Land and Infrastructure	28	73
Commercial Properties	Shops	141	142
	Other Commercial	35	58
Asset under			
Construction		1	1
Vacant Sites		25	27

Note 27. INVESTMENT PROPERTIES

There are no restrictions on the Authority's ability to realise the value inherent in its Investment Properties or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

The Authority holds 45 Investment properties; 35 shops and 10 other commercial properties (the figures for 2009/10 were 42, 32 and 10 respectively).

The following table summarises the movement in the fair value of Investment Property over the year:

Investment Properties – Movements in Valuation	**2009/10 £'000**	**2010/11 £'000**
Balance at 1 April	**3,507**	**3,481**
Additions:		
Purchases	0	0
Construction	0	0
Subsequent Expenditure	0	0
Disposals	0	0
Net Gains/Losses from Fair Value Adjustments	(26)	0
Transfers:	0	0
To/from Inventories	0	0
To/from Property, Plant and Equipment	0	0
Other Changes	0	0
Balance at 31 March	**3,481**	**3,481**

Note 28. INTANGIBLE ASSETS

The Authority's Intangible Assets relate to the hire, purchase, development and implementation of computer software: there are no internally generated Intangible Assets. Intangible assets are valued at historical cost and are amortised over an 8-year period on a straight-line basis. The amortisation was charged to an administrative cost centre and then absorbed across all service headings in the Cost of Services. It is not possible to quantify how much of the amortisation is attributable to each heading

Intangible Assets	**2009/10 £'000**	**2010/11 £'000**
Gross Book Value at 1 April	**1,958**	**1,958**
Accumulated Amortisation at 1 April	**(734)**	**(979)**
Net Carrying Value at 1 April	**1,224**	**979**
Movements in Year:		
Additions	0	0
Disposals	0	0
Revaluations	0	0
Impairments	0	0
Amortisation charged in year	(245)	(245)
Other Changes	0	0
Net Book Value as of 31 March	**979**	**734**
Comprising:		
Gross Book Value at 31 March	**1,958**	**1,958**
Accumulated Amortisation at 31 March	**(979)**	**(1,224)**

Note 29. LEASES

The Authority as lessee:

Finance Leases:

The Authority has acquired under finance leases wheelie bins and vehicles. These assets were acquired several years ago and have not been deemed of sufficient value to justify the setting up of full asset accounting arrangements under IFRS as they would have been fully depreciated. Note 11 to these accounts deals with assets deemed to comprise an embedded finance lease under a long term contract.

The Authority is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The net present values of the minimum lease payments are made up of the following amounts:

Finance Lease Liabilities	**1 April 2009 £'000**	**31 March 2010 £'000**	**31 March 2011 £'000**
Net Present Value of Minimum Lease Payments			
Current Assets	138	51	20
Non Current Assets	0	0	0
Finance Costs Payable in Future Years	11	4	1
Total – Minimum Lease Payments	**149**	**55**	**21**

The minimum lease payments will be payable over the following periods:

Finance Lease Payments	**Minimum Lease Payments**			**Finance Lease Liabilities**		
	1 April 2009 £'000	**31 March 2010 £'000**	**31 March 2011 £'000**	**1 April 2009 £'000**	**31 March 2010 £'000**	**31 March 2011 £'000**
Expiring:						
Not Later then One Year	11	0	0	11	0	0
Later than One Year and Not Later than Five Years	138	55	21	138	55	21
Later than Five Years	0	0	0	0	0	0
Totals at 31 March	**149**	**55**	**21**	**149**	**55**	**21**

Operating Leases

The Authority has the use of capital assets in the categories of land and buildings through operating leases in respect of which rentals payable in 2010/11 amounted to £98,042 (£141,811 in 2009/10)

The future minimum lease payments due under non cancellable operating leases from 31 March 2011 onwards are as follows -

Operating Lease Payments	**1 April 2009 £'000**	**31 March 2010 £'000**	**31 March 2011 £'000**
Expiring:			
Not Later than One Year	35	61	98
Later than One Year and not Later than Five Years	16	4	0

Operating Lease Payments	**1 April 2009 £'000**	**31 March 2010 £'000**	**31 March 2011 £'000**
Later than Five Years	2	54	0
Totals at 31 March	**53**	**119**	**98**

The expenditure charged to the Cost of Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

Operating Lease Payments	**2009/10 £'000**	**2010/11 £'000**
Minimum Lease Payments	119	98
Contingent Rents	0	0
Sublease Payments Receivable	0	0
Net Totals	**119**	**98**

The Authority as Lessor

Finance Leases

The Authority has not leased out any property on finance leases.

Operating Leases

The Authority leases out property and equipment under operating leases for the following purposes:

- For the provision of community facilities such as sports facilities and community centres,
- For economic development purposes to provide suitable affordable accommodation to local businesses, and
- For the provision of services by other public bodies, charities and the third sector.

The future minimum lease payments receivable under non cancellable leases in future years are:

Operating Lease Receipts	**1 April 2009 £'000**	**31 March 2010 £'000**	**31 March 2011 £'000**
Expiring:			
Not later than one year	729	703	794
Later than one year and not later than five years	445	401	394
Later than five years	530	530	407
Totals at 31 March	**1,704**	**1,634**	**1,595**

Note 30. FINANCIAL INSTRUMENTS

a. Categories of Financial Instruments

The following categories of financial instruments are shown in the Balance Sheet:

Financial Instruments – Categories	**Long Term as at 1 April 2009**	**Long Term as at 31 March 2010**	**Long Term as at 31 March 2011**	**Current as at 1 April 2009**	**Current as at 31 March 2010**	**Current as at 31 March 2011**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Borrowings - Financial Liabilities at Amortised Cost	**(124,989)**	**(113,439)**	**(28,231)**	**(19,842)**	**(35,788)**	**(112,002)**
Total Trade Creditors	**0**	**0**	**0**	**(5,475)**	**(4,577)**	**(6,040)**
Investments:						
Loans and Receivables	0	0	0	17,484	15,870	30,678
Financial Assets at Fair Value through the Comprehensive Income and Expenditure Statement	0	3,094	0	39,969	34,906	20,177
Total Investments	**0**	**3,094**	**0**	**57,453**	**50,776**	**50,855**
Total Trade Debtors	**0**	**0**	**0**	**10,634**	**11,192**	**16,476**

b. Financial Instruments Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

Financial Instruments – Gains and Losses Table 1 2010/11	**Financial Liabilities Measured at Amortised Cost**	**Financial Assets**			**Total**
		Loans and Receivables	**Available for Sale Assets**	**Fair Value through the Income and Expenditure Statement**	
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Interest Expense	3,616	0	0	0	3,616
Losses on De-recognition	0	0	0	0	0
Impairment Losses	17,487	0	0	0	17,487
Total Expense in the Comprehensive Income and Expenditure Statement	**21,103**	**0**	**0**	**0**	**21,103**
Interest Income	0	(297)	0	(288)	(585)
Gains on De-recognition	0	0	0	0	0
Total Income in the Comprehensive Income and Expenditure Statement	**0**	**(297)**	**0**	**(288)**	**(585)**
Gains on Revaluation	0	0	0	0	0
Losses on Revaluation	0	0	0	0	0
Amounts Recycled to the					

Financial Instruments – Gains and Losses Table 1 2010/11	Financial Liabilities Measured at Amortised Cost £'000	Financial Assets			Total £'000
		Loans and Receivables £'000	Available for Sale Assets £'000	Fair Value through the Income and Expenditure Statement £'000	
Comprehensive Income and Expenditure Statement after Impairment	0	0	0	0	0
Surplus Arising on Revaluation of Financial Assets in the Comprehensive Income and Expenditure Statement	**0**	**0**	**0**	**0**	0
Net (Gain)/Loss for the Year	**21,103**	**(297)**	**0**	**(288)**	**20,518**

Financial Instruments – Gains and Losses Table 2 2009/10 Comparatives	Financial Liabilities Measured at Amortised Cost £’000	Financial Assets			Total £’000
		Loans and Receivables £’000	Available for Sale Assets £’000	Fair Value through the Income and Expenditure Statement £’000	
Interest Expense	6,257	0	0	0	6,257
Losses on De-recognition	0	0	0	0	0
Impairment Losses	0	0	0	0	0
Total Expense in the Comprehensive Income and Expenditure Statement	**6,257**	**0**	**0**	**0**	**6,257**
Interest Income	0	(397)	0	(559)	(956)
Gains on De-recognition	0	0	0	0	0
Total Income in the Comprehensive Income and Expenditure Statement	**0**	**(397)**	**0**	**(559)**	**(956)**
Gains on Revaluation	0	0	0	0	0
Losses on Revaluation	0	0	0	0	0
Amounts Recycled to the Comprehensive Income and Expenditure Statement after Impairment	0	0	0	0	0
Surplus Arising on Revaluation of Financial Assets in the Comprehensive Income and Expenditure Statement	**0**	**0**	**0**	**0**	**0**
Net (Gain)/Loss for the Year	**6,257**	**(397)**	**0**	**(559)**	**5,301**

Notes to Tables 1 and 2 above:

- Interest expense is for the total of interest payments made on the Authority's borrowings and internal charges from the Housing Revenue Account.
- Losses on de-recognition are for premiums written off on early debt repayment.
- Interest income on loans and receivables is for interest received on the Authority's internally made investments.
- Interest income on fair value through the Comprehensive Income and Expenditure Statement is for interest on the Authority's externally held investments.
- Gains on de-recognition are for discounts written off on early debt repayment.

c. Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and assets represented by loans and receivables, debtors and creditors are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining term of the instruments, using the following assumptions:

- The Public Works Loans Board (PWLB) figures were calculated with reference to the premature repayments rates in force on 31st March 2010. The Authority repaid all PWLB loans during 2010/11 so no assessment is required as at 31 March 2011.
- For market loans the Authority's advisers have assessed fair value by using the equivalent swap rates ruling in the market on 31st March 2011.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months the carrying value is assumed to be same as fair value.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount.
- For investments held by the Authority's Fund Managers the market value taken from the year-end valuations have been used.
- The fair value of creditors and debtors is taken to be the invoiced or billed amount.

The element of long term liabilities maturing in less than one year is now transferred to this category

Fair Value of Financial Liabilities and Assets	**1 April 2009 Carrying Amount £'000**	**1 April 2009 Fair Value £'000**		**31 March 2010 Carrying Amount £'000**	**31 March 2010 Fair Value £'000**	**31 March 2011 Carrying Amount £'000**	**31 March 2011 Fair Value £'000**
Long Term Loans maturing in less than 1 Year	0	0		(1,257)	**(1,257)**	(1,247)	(1,247)
PWLB Debt	(95,517)	(111,765)		(84,212)	(98,636)	0	0
Long term Market Debt	(29,458)	(43,438)		(29,213)	(43,740)	(28,217)	(42,249)
Temporary Market Debt	(19,842)	(19,842)		(34,531)	(34,531)	(110,754)	(110,754)
Bonds/Annuities	(14)	(14)		(14)	(14)	(14)	(14)

Fair Value of Financial Liabilities and Assets	1 April 2009 Carrying Amount £'000	1 April 2009 Fair Value £'000		31 March 2010 Carrying Amount £'000	31 March 2010 Fair Value £'000	31 March 2011 Carrying Amount £'000	31 March 2011 Fair Value £'000
Total Debt	**(144,831)**	**(175,059)**		**(149,227)**	**(178,178)**	**(140,232)**	**(154,264)**
Other Creditors	(5,475)	(5,475)		(4,577)	(4,577)	(6,040)	(6,040)
Total Financial Liabilities	**(150,306)**	**(180,534)**		**(153,804)**	**(182,755)**	**(146,272)**	**(160,304)**
Temporary Investments	17,484	17,484		15,870	15,870	30,678	30,678
Fund Managers Investments	39,969	39,969		38,000	38,000	20,177	20,177
Other Debtors	10,634	10,634		11,192	11,192	11,822	11,822
Total Financial Assets	**68,087**	**68,087**		**65,062**	**65,062**	**62,677**	**62,677**

The fair value of financial liabilities is greater than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount the Authority would have to pay if the lender requested or agreed to early repayment of the loans.

Note 31. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

The Authority's activities expose it to a variety of financial risks. The key risks are:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity Risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Re-Financing Risk – the possibility that the Authority might need to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market Risk – the possibility that financial loss might arise for the Authority as a result of market changes in, for example, interest rate movements.

Overall Procedures for Managing Risk

The Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework contained in the Local Government Act 2003 and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued under the Act. Overall these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice,
- by approving annually in advance prudential indicators for the following three years limiting:

    1. the Authority's overall borrowing,
    2. its maximum and minimum exposures to fixed and variable rates,

3. the maturity structure of its debt, and

4. its maximum annual exposure to investments maturing beyond a year, and

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counter-parties in compliance with Government guidance.

The Prudential Indicators and Investment Strategy are required to be reported and approved at or before the Council's annual council tax and budget setting meeting. They are reported with the annual Treasury Management Strategy that outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported annually to Members.

It is the responsibility of the Capital, Taxation and Treasury Team in the Corporate Finance department to implement the approved strategies and policies. The Authority maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and investment institutions unless they meet identified minimum credit criteria as laid down in Fitch and Moody's rating services. The Authority's policy sets out the minimum credit ratings required and the maximum amounts to be lent to each category of borrower.

The following analysis summarises the Authority's potential maximum exposure at the Balance Sheet date to credit risk, based on the Council's experience of default and of its customer collection levels:

Deposits with Banks and Financial Institutions	**Amounts as at 1 April 2009 £'000**	**Amounts as at 31 March 2010 £'000**	**Amounts as at 31 March 2011 £'000**	**Historical Default %**	**Adjust for Market Conditions %**	**Estimated Maximum Exposure £'000**
Investec Target Return Fund	0	5,002	4,999	0	0	0
Banks Rated AAA Long Term	3,820	11,240	4,020	0	0	0
Banks Rated AA Long Term	30,600	22,101	20,000	0	0	0
Co-op Bank	6,000	0	1,000	0	0	0
Un-rated Building Societies – Overnight Only	8,000	1,800	2,600	0	0	0
Local Authorities	3,300	7,000	18,000	0	0	0
Cash	3,868	6,172	16	0	0	0
Total Investments at 31 March	**55,588**	**53,315**	**50,635**	**0**	**0**	**0**

No breaches of the Authority's counter-party criteria occurred during the reporting period and the Authority does not expect any losses from non-performance by any of it's counter-parties in relation to deposits. The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or to repay the principal sum is specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non recoverability applies to all the Authority's deposits but there was no evidence at 31 March 2011 that this was likely to crystallise.

The total amount of Debtors outstanding at the 31st March 2011 is £11.822 million. This figure is made up of £9.312 million of Trade Debtors and £2.510 million of Other Debtors that the Authority has determined as being financial instruments. The Authority does not generally allow credit for its trade debtors, such that £7.325 million of the total balance is past its due date for payment. To this end a provision for bad debts of £1.174 million has been calculated with reference to estimated default rates. Of the total amount overdue, £5.048 million is overdue by up to 365 days with the remaining £2.276 million by more than one year. The Authority considers that the remaining £7.164 million of other debtors are current debtors and therefore all receivable within one year.

The Authority does not normally allow credit to its customers. An age analysis of amounts due is set out in the following table:

Age Analysis of the Authority's Debtors	**1 April 2009** **£'000**	**31 March 2010** **£'000**	**31 March 2011** **£'000**
Less than Three Months	1,211.9	1,897.2	2,332.9
Three to Six Months	376.0	621.7	1,887.9
Six Months to One Year	538.5	810.0	827.5
More than One Year	940.1	1,467.9	2,276.8
Total Debtors at 31 March	**3,067.5**	**4,796.8**	**7,325.1**

Liquidity Risk

The Authority has ready access to borrowings from the Money Markets to cover any day to day cash flow need and whilst the PWLB provides access to longer term funds it also acts as a lender of last resort to local authorities (although it will not provide funding to an authority whose actions are unlawful). The Authority is also required to produce a balanced budget each year under the Local Government Finance Act 1992, which ensures that sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Authority manages its liquidity position through the risk management procedures above (the setting of prudential indicators and of the Treasury and Investment Strategy), as well as through prudent cash flow management as required by the Code of Practice. Cash is managed so as to ensure that cash is available when required.

All creditors are due to be paid in less than one year and are therefore shown in the less than one-year total in the financial liabilities table below. The total of debtors outstanding at the end of the financial year is shown in the table for financial assets in the less than one-year total.

Refinancing Risk

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Authority relates to managing the exposure to the need to replace financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets that might need to be replenished at a time of unfavourable interest rates. The Authority sets limits on the proportion of fixed rate borrowing maturing during specified periods.

The Prudential Indicator limits for the maturity structure of debt and the limits placed on investments made for greater than one year in duration are the key parameters used to address this risk. The Authority's Treasury and Investment Strategies address the main

risks and the Capital, Taxation and Treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt.

- Monitoring the maturity profile of investments to ensure that sufficient liquidity is available for the Authority's day to day cash flow needs and that the spread of longer term investments provides stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

Maturity Profile of Financial Liabilities	**1 April 2009 £'000**	**31 March 2010 £'000**	**31 March 2011 £'000**
Less than 1 Year	(38,658)	(39,084)	(117,640)
Between 1 and 2 Years	(22)	(1,000)	0
Between 2 and 5 Years	(3,000)	(2,000)	0
Between 5 and 10 Years	(1,000)	(1,000)	(1,000)
Between 10 and 15 Years	0	0	0
Between 15 and 20 Years	0	0	0
Between 20 and 25 Years	0	0	0
Between 25 and 30 Years	0	0	0
Between 30 and 35 Years	(18,000)	(29,000)	(18,000)
Between 35 and 40 Years	(4,312)	(4,312)	0
Between 40 and 45 Years	(60,022)	(52,022)	(10,000)
Over 45 Years	(27,878)	(24,876)	0
Total Financial Liabilities at 31 March	**(152,892)**	**(153,294)**	**(146,640)**

The maturity analysis of financial assets is as follows:

Maturity Profile of Financial Assets	**Fund Managers**			**TBC Investments**			**Debtors**		
	1 April 2009 £'000	**31 March 2010 £'000**	**31 March 2011 £'000**	**1 April 2009 £'000**	**31 March 2010 £'000**	**31 March 2011 £'000**	**1 April 2009 £'000**	**31 March 2010 £'000**	**31 March 2011 £'000**
Less than 1 Year	33,168	34,676	20,035	17,300	15,800	30,600	10,634	11,192	11,822
Between 1 and 2 Years	2,600	1,330	0	0	0	0	0	0	0
Between 2 and 5 Years	1,000	1,510	0	0	0	0	0	0	0
Between 5 and 10 Years	1,520	0	0	0	0	0	0	0	0
Between 10 and 15 Years	0	0	0	0	0	0	0	0	0
Between 15 and 20 Years	0	0	0	0	0	0	0	0	0
Between 20 and 25 Years	0	0	0	0	0	0	0	0	0
Between 25 and 30 Years	0	0	0	0	0	0	0	0	0
Between 30 and 35 Years	0	0	0	0	0	0	0	0	0
Between 35 and 40 Years	0	0	0	0	0	0	0	0	0
Between 40 and 45 Years	0	0	0	0	0	0	0	0	0
Over 45 Years	0	0	0	0	0	0	0	0	0
Total Financial Assets at 31 March	**38,288**	**37,516**	**20,035**	**17,300**	**15,800**	**30,600**	**10,634**	**11,192**	**11,822**

The maturity analysis of the Fund Managers Investments is based on the nominal value of investments held as at 31 March 2011 in accordance with the Managers reports.

Market Risk

Interest Rate Risk

The Authority is exposed to interest rate movements on its borrowing and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effect:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement would rise.

- Borrowings at fixed rates – the fair value of the borrowing liability would fall.

- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement would rise.

- Investments at fixed rates – the fair value of the assets would fall.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings do not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments are posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance, subject to any account that might be taken of such changes in the setting of Governments Grants. Movements in the fair value of fixed rate investments that have a quoted market price are reflected in the Comprehensive Income and Expenditure Statement.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Authority's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposures. The Capital, Taxation and Treasury team monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

If all interest rates had been 1% higher with all other variables held constant then the financial effect at 31 March 2011 would have been:

Sensitivity Analysis	**1 April 2009 £'000**	**31 March 2010 £'000**	**31 March 2011 £'000**
Increase on Interest Payable on Variable Rate Borrowing	0	0	0
Increase in Interest Receivable on Variable Rate Investments	0	0	0
Increase in Government Grant Receivable for Financing Costs	0	0	0
Impact on the Surplus/Deficit on the Provision of Services	0	0	0
Share of Overall Impact Debited to the Housing Revenue Account	0	0	0
Decrease in Fair Value of Fixed Rate Investment Assets	0	0	0
Impact on the Other Comprehensive Income and Expenditure	0	0	0
Decrease in Fair Value of Fixed Rate Borrowing Liabilities (no Impact on the Surplus/Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	17,743	15,711	0
Totals at 31 March	**17,743**	**15,711**	**0**

Notes on the above table:

- Variable rate borrowing. The Authority's variable rate borrowing consists of LOBO loans and an increase of 1% in interest rates would not affect these loans.

- Variable rate investments. The Authority currently has no variable rate investments.

- Fair value of fixed rate investments. The fair value of investments with a maturity of less than twelve months is taken to be the principal outstanding. Therefore as all of the Authority's internally held investments will mature in twelve months or less there will be no change in their fair value. External investments held by the Authority's Fund Managers have been classified as Fair Value through Profit and Loss and as all are at fixed interest rates they will not affect the above table.

- All of the Authority's fixed rate borrowing from the PWLB was repaid in 2010/11.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The Authority, excluding its attributable share of Essex Pension Fund, does not generally invest in equity shares or have any holdings in joint ventures or local industry.

Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Note 32. PROVISIONS

The Table below summarises the movements in the Authority's financial provisions during the year:

Provisions	Balance 31 March 2010 £'000	Income in the Year £'000	Expenses or Reduction in Year £'000	Balance 31 March 2011 £'000
Insurance Provision	(355)	(526)	531	(350)
	(355)	**(526)**	**531**	**(350)**

The Insurance Provision represents a sum set aside towards meeting the value of insurance claims lodged with Authority. A contribution of £525,800 has been made in 2010/11.

Note 33. LONG TERM DEBTOR

During 2009/10 the Authority incurred external costs of £0.870 million in the course of setting up new arrangements for Waste Collection. The new seven year contract, which commenced during 2010/11, will however generate annual savings of £2.100 million. It was determined in 2009/10 that the most equitable way of treating the costs incurred was to charge five equal and annual instalments during the course of the contract so that the set up costs are matched to, and are charged against, the savings that will arise from the new contract, with effect from 2009/10. Each year, until fully written off, the written down uncharged balance of these costs will appear within Long Term Debtors in the Authority's Balance Sheet.

Note 34. DEBTORS

The table below provides an analysis of the Short Term Debtors figure in the Balance Sheet:

Debtors	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Government Departments	5,591	14,669	8,484
Other Public Bodies	780	534	292
Housing Rents	1,707	1,609	1,965
Council Tax	4,963	5,065	3,539
Sundry Debtors	17,776	17,035	17,543
Payments in Advance	214	462	1,439
Total	**31,031**	**39,374**	**33,263**
Less: Provision for Impairment	(3,211)	(2,645)	(4,070)
Net Total Debtors at 31 March	**27,820**	**36,729**	**29,192**

Note 35. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

Cash and Cash Equivalents	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Cash Held by the Council	29	29	29
Bank Current Accounts	4,603	7,211	4,977
Short Term Deposits with Financial Institutions	8,800	4,800	7,600
Totals at 31 March	**13,432**	**12,040**	**12,606**

Note 36. ASSETS HELD FOR SALE

The table below gives details of Property, Plant and Equipment held for Sale and treated as Current Assets (Assets Held for Sale). Details of any Non Current Assets, which are surplus or awaiting disposal, are given in Note 22 above.

Assets held for Sale	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Balance at 1 April	**0**	**39**	**0**
Property, Plant and Equipment classified as Held for Sale during the year	30	0	553
Revaluation Losses	0	0	0
Revaluation Gains	9	0	0
Impairment Losses	0	0	0
Property, Plant and Equipment de-classified as Held for Sale during the year	0	0	0
Assets Sold	0	39	(487)
Transfers from Non Current to Current Assets	0	0	0
Other Movements	0	0	0
Balance at 31 March	**39**	**0**	**66**

Note 37. CREDITORS

The table below provides an analysis of the Short Term Creditors figure in the Balance Sheet:

Creditors	**1 April 2009 £'000**	**31 March 2010 £'000**	**31 March 2011 £'000**
Government Departments	(380)	(379)	0
Other Public Bodies	(2,205)	(2,448)	(2,398)
Sundry Creditors	(23,425)	(23,841)	(34,343)
Receipts in Advance	(4,249)	(3,784)	(6,009)
Total Creditors at 31 March	**(30,259)**	**(30,450)**	**(42,750)**

Note 38. USABLE RESERVES

The movements in the year and balances at 31 March of the Authority's Usable Reserves are set out in the Movement in Reserves Statement and in Notes 7 and 21 to the Financial Statements.

Note 39. UNUSABLE RESERVES

The balances on the Unusable Reserves in the Balance Sheet are detailed in the following table:

Unusable Reserves	**1 April 2009 £'000**	**31 March 2010 £'000**	**31 March 2011 £'000**
Revaluation Reserve	(28,095)	(26,668)	(31,807)
Capital Adjustment Account	(801,106)	(773,155)	(684,415)
Financial Instruments Adjustment Account	(2,052)	(1,793)	15,505
Pensions Reserve	98,053	135,555	104,936
Collection Fund Adjustment Account	(124)	240	591
Accumulated Absences Account	1,889	2,305	2,176
Totals at 31 March	**(731,435)**	**(663,516)**	**(593,014)**

Revaluation Reserve

This reserve functions as a store of the gains made by the Authority from the increases in the value of its Property, Plant and Equipment since 1 April 2007 when the reserve was created. Gains prior to that date are consolidated in the Capital Adjustment Account. The balance is reduced when assets with accumulated gains are re-valued downwards or impaired, used in the provision of services with the gains consumed through depreciation and disposed of with the gains being realised.

Movements on the Revaluation Reserve	**2009/10 £'000**	**2010/11 £'000**
Balances at 1 April	**(28,095)**	**(26,668)**
Upward Revaluation of Assets	(3,841)	(7,983)
Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services	4,495	1,848
Surplus/Deficit on Revaluation of Non Current Assets		

Movements on the Revaluation Reserve	2009/10 £'000	2010/11 £'000
not posted to the Surplus/Deficit on the Provision of Services	654	(32,803)
Difference between Fair Value Depreciation and Historical Cost Depreciation	773	721
Accumulated Gains on Assets Sold or Scrapped	0	275
Amounts written off to the Capital Adjustment Account	**773**	**996**
Balances at 31 March	**(26,668)**	**(31,807)**

Capital Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction and enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction and enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement, with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis. The account is credited with the amount set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The account includes accumulated gains and losses on Investment Properties and gains recognised on any donated assets that have yet to be consumed by the Authority. The account also contains revaluation gains accumulated on Property, Plant and Equipment prior to 1 April 2007 when the Revaluation Reserve was created to hold such gains. The source of the majority postings in the table below can be seen in Note 7.

Movements on the Capital Adjustment Account	2009/10 £'000	2010/11 £'000
Balances at 1 April	**(801,106)**	**(773,155)**
Reversal of Items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for Depreciation and Impairment of Non Current Assets	13,173	13,236
Revaluation Losses on Property, Plant and Equipment	26,209	89,369
Amortisation of Intangible Assets	245	245
Revenue Expenditure Funded from Capital under Statute	1,945	840
Revenue Expenditure Funded from Capital under Capital Direction	0	1,329
Amounts of Non Current Assets written off on Disposal or Sale as part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	5,705	486
Sub Total	**47,277**	**105,505**
Adjusting Amounts written out of the Revaluation Reserve	(773)	(996)
Net written out Amount of the Cost of Non Current Assets Consumed in the year	**46,504**	**104,509**
Capital Financing Applied in the year:		
Use of the Capital Receipts Reserve to finance new Capital Expenditure	(46)	(58)
Use of the Major Repairs Reserve to Finance new Capital Expenditure	(7,504)	(3,556)
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that		

Movements on the Capital Adjustment Account	2009/10 £'000	2010/11 £'000
have been applied to Capital Financing	(5,994)	(3,439)
Application of Grants to Capital Financing from the Capital Grants Unapplied Account	0	(3,433)
Statutory Provision for the Financing of Capital Investment charged against the General Fund and Housing Revenue Account Balances	(5,031)	(5,239)
Capital Expenditure charged against the General Fund and Housing Revenue Account Balances	(4)	0
Additions to Property, Plant and Equipment financed from Revenue in previous years	0	(44)
Sub Total	**(18,579)**	**(15,769)**
Movements in the Market Value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	26	0
Balances at 31 March	**(773,155)**	**(684,415)**

Financial Instruments Adjustment Account

This account absorbs the timing differences in arising from the different arrangements for accounting for the income and expenditure relating to certain financial instruments and for bearing losses or benefiting from gains according to statutory provisions. The Authority uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to this Account in the Movements in Reserves Statement. Over time the expense is posted back to the General Fund Balance in accordance with the statutory arrangements for spreading the burden on Council Tax. Usually this means writing off the balance over the unexpired term of the loans when they were redeemed. This means that the balance on the account as at 31 March 2011 will be cleared over the next 48 years.

Movements on the Financial Instruments Adjustment Account	2009/10 £'000	2010/11 £'000
Balances at 1 April	**(2,052)**	**(1,793)**
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	17,487
Proportion of Premiums incurred in previous financial years charged against the General Fund Balance in accordance with Statutory Requirements	259	(189)
Amount by which Finance Costs charged to the Comprehensive Income and Expenditure Statement are different from the Finance Costs chargeable in the year in accordance with Statutory Requirements	259	17,298
Balances at 31 March	**(1,793)**	**15,505**

Pensions Reserve

This reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding those benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by

employees accruing years of service, updating the liabilities recognised to reflect inflation and changing assumptions and investment returns on those resources set aside to meet the costs. However statutory arrangements require benefits earned to be financed as the Authority makes employer contributions to the Pension Fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve shows the substantial shortfall in the benefits earned by past and present employees and the resources set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Movements on the Pensions Reserve	**2009/10 £'000**	**2010/11 £'000**
Balances at 1 April	**98,053**	**135,555**
Actuarial Gains or Losses on Pensions Assets and Liabilities	34,767	**(15,758)**
Reversal of items relating to Retirements Benefits debited or credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	13,290	**(3,678)**
Employer's Pension Contributions and Direct Payments to Pensioners payable in the year	(10,555)	**(11,183)**
Balances at 31 March	**135,555**	**104,936**

Collection Fund Adjustment Account

This account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Movements on the Collection Fund Adjustment Account	**2009/10 £'000**	**2010/11 £'000**
Balances at 1 April	**(124)**	**240**
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax Income calculated for the year in accordance with Statutory Requirements	364	351
Balances at 31 March	**240**	**591**

Accumulated Absences Account

This account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the financial year, such as annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to and from the account.

Movements in the Accumulated Absences Account	**2009/10 £'000**	**2010/11 £'000**
Balances at 1 April	**1,889**	**2,305**
Settlement or Cancellation of Accrual made at the end of the preceding year	(1,889)	(2,305)
Amounts accrued at end of current year	2,305	2,176
Amount by which Officer Remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the Remuneration chargeable in		

Movements in the Accumulated Absences Account	2009/10 £'000	2010/11 £'000
the year in accordance with Statutory Requirements	416	(129)
Balances at 31 March	**2,305**	**2,176**

Note 40. TRUST FUNDS AND RECEIVERSHIPS

a) The Authority administers one Trust Fund, which is included in the Balance Sheet as a creditor:

Trust Funds	Balance as at 1 April 2010	Income in Year	Expenses in Year	Balance as at 31 March 2011
	£	£	£	£
Miss Grover's Charity	**(22,409)**	**0**	**0**	**(22,409)**

The purpose of the above charity is to promote sports within the Borough.

b) Two Environmental Trusts invest funds with the Authority, which are then used on a temporary basis in the running of the Authority.

Environmental Trusts' Investments	Balance as at 1 April 2009	Balance as at 31 March 2010	Balance as at 31 March 2011
	£	£	£
Cory Environmental Trust	818,234	1,049,876	1,093,641
Veolia ES Cleanaway Mardyke	1,353,193	1,396,575	1,302,008
Totals at 31 March	**2,171,427**	**2,446,451**	**2,395,649**

The Authority holds funds on behalf of individuals who are unable to manage their financial affairs and for whom the Courts have identified that the Authority should be named receiver or appointee to manage the individual's finances. These are not Authority monies and do not appear in these accounts.

Note 41. PENSION SCHEME ACCOUNTED FOR AS A DEFINED CONTRIBUTION SCHEME

Teachers employed by the Authority are members of the Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education. The Scheme provides teachers with defined benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is, technically, a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. It is not possible for the Authority to identify its share of the underlying financial position and performance of the scheme attributable to its own employees with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11 the Authority paid £8.447 million, including £4.392 million actual teachers' contributions, (£8.321 million in 2009/10) in respect of teachers' retirement benefits. The contribution rate was 14.1%.

In addition, the Authority is responsible for all pension payments relating to added years' benefits that it has awarded outside of the terms of the Teachers' Scheme. These

amounted to £21,672 in 2010/11 (£19,296 in 2009/10). These benefits are accrued for in the Authority's Pensions Liability in the Balance Sheet.

Note 42. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of the employment of its officers and its employees, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two post employment schemes:

- The Local Government Pension Scheme administered by Essex County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a Fund, calculated at a level intended to balance the pension liabilities with investment assets.

- Arrangements for the award of discretionary post retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However there are no investment assets built up to meet theses pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. The costs shown in the tables below arise from awards made several years and more ago.

Transactions Relating to Post Employment Benefits

The cost of retirement benefits is recognised in the reported Cost of Services when those benefits are earned by employees, rather than when the benefits are eventually paid to them as pensions. However, the charge that is required to be made against council tax is based upon the cash payable in the year, so that the real cost of post employment/retirement benefits is reversed out of the General Fund by way of the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance in the Movement in Reserves Statement during the year.

Post Employment Benefit Costs	**Local Government Pension Scheme**		**Unfunded Benefits**	
	2009/10	**2010/11**	**2009/10**	**2010/11**
	£'000	**£'000**	**£'000**	**£'000**
Comprehensive Income and Expenditure Statement:				
Cost of Services:-				
Current Service Cost	5,640	9,122	0	0
Past Service Costs	15	(19,234)	0	(496)
Settlements and Curtailments	17	0	0	0
Financing and Investment Income and Expenditure:-				
Interest Cost	16,619	18,327	575	545
Expected Return on Scheme Assets	(9,001)	(11,893)	0	0
Total Post Employment Benefit charged to the Surplus/ Deficit on the Provision of Services	**13,290**	**(3,678)**	**575**	**51**
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:	0	0	575	51

Post Employment Benefit Costs	Local Government Pension Scheme		Unfunded Benefits	
	2009/10	2010/11	2009/10	2010/11
	£'000	£'000	£'000	£'000
Actuarial Gains and Losses	34,767	(15,758)	0	0
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**48,057**	**(19,436)**	**575**	**51**
Movement in Reserves Statement:				
Reversal of Net Charges made to the Surplus/Deficit on the Provision of Services for Post Employment Benefits in accordance with Statutory Requirements	**(48,057)**	**19,436**	**0**	**0**
Actual Amount charged against the General Fund Balance for Pensions for the year:				
Employers Contributions payable to the Scheme	10,555	11,183	616	617
Retirement Benefits payable to Pensioners	0	0	(616)	(617)
Totals	**10,555**	**11,183**	**0**	**0**

The cumulative amount of actuarial gains and losses, since 1 April 2010, recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a £19,009 million loss.

Assets and Liabilities in Relation to Post Employment Benefits

The reconciliation of the present value of the scheme liabilities, the defined scheme obligation, is as follows:

Present Value of Scheme Liabilities	Local Government Pension Scheme		Unfunded Benefits	
	2009/10	2010/11	2009/10	2010/11
	£'000	£'000	£'000	£'000
Balances at 1 April	**(233,819)**	**(325,352)**	**(8,408)**	**(10,035)**
Current Service Cost	(5,640)	(9,122)	0	0
Interest Cost	(16,619)	(18,327)	(575)	(545)
Contributions by Scheme Participants	(3,146)	(3,199)	0	0
Actuarial Gains and Losses	(74,371)	20,086	(1,668)	470
Benefits Paid	8,275	8,485	616	617
Past Service Costs	(32)	19,234	0	496
Curtailments	0	0	0	0
Settlements	0	0	0	0
Balances at 31 March	**(325,352)**	**(308,195)**	**(10,035)**	**(8,997)**

The reconciliation of the fair value of the scheme assets is as follows:

Fair Value of Pension Scheme Assets	**Local Government Pension Scheme**	
	2009/10	**2010/11**
	£'000	**£'000**
Balances at 1 April	**135,766**	**189,797**
Expected Rate of Return	9,001	11,893
Actuarial Gains and Losses	39,604	(4,328)
Employer Contributions	10,555	11,183
Contributions by Scheme Participants	3,146	3,199
Benefits Paid	(8,275)	(8,485)
Settlements	0	0
Balances at 31 March	**189,797**	**203,259**

The expected return on scheme assets is determined by considering the expected returns available on assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £18.504 million (£48,605 million in 2009/10).

Scheme History

The scheme history is summarised as follows:

Scheme History	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Present Value of Liabilities					
Local Government Pension Scheme	(244,364)	(271,862)	(233,819)	(325,352)	(308,195)
Unfunded Benefits (included above)	(8,819)	(9,959)	(8,408)	(10,035)	(8,997)
Fair Value of Assets in the Local Government Pension Scheme	175,420	168,126	135,766	189,797	203,259
Surplus/(Deficit) in the Scheme					
Local Government Scheme	(68,944)	(103,734)	(98,053)	(135,555)	(104,936)
Discretionary Benefits	0	0	0	0	0
Total at 31 March	**(68,944)**	**(103,734)**	**(98,053)**	**(135,555)**	**(104,936)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £308.195 million has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £104.936 million. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the Scheme will be made good by increased contributions over the remaining working life of employees as assessed by the Scheme Actuary. Finance is only required to be raised to cover any discretionary benefits when the pensions are actually paid

The total contributions expected to be payable to the Local Authority Pension Scheme by the Authority in the year to 31 March 2012 is £10.689 million.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The scheme is administered by Essex County Council and fund liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for Thurrock Council being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been as follows:

Principal Actuarial Assumptions – Local Government Pension Scheme	**31 March 2010**	**31 March 2011**
Long Term Expected Rate of Return on Assets in the Scheme:		
Equity Investments	7.5%	7.5%
Government Bonds	4.5%	4.4%
Other Bonds	5.2%	5.1%
Property	6.5%	6.5%
Cash/Liquidity	0.5%	0.5%
Longevity at 65 for Current Pensioners:		
Male	22.1 yrs	22.6 yrs
Female	25.0 yrs	25.2 yrs
Longevity at 65 for Future Pensioners:		
Male	23.1 yrs	24.0 yrs
Female	25.9 yrs	26.8 yrs
Rate of Inflation - RPI	3.3%	3.4%
Rate of Inflation - CPI	Not applicable	2.9%
Rate of Increases in Salary	4.8%	4.4%
Rate of Increases in Pension in Payment	3.3%	2.9%
Rate for Discounting Scheme Liabilities	5.6%	5.5%
Rate of Take up Option to Convert Annual Pension into Retirement Lump Sum	50.0%	50.0%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Categories of Assets	**31 March 2010**	**31 March 2011**
	%	**%**
Equities	67.5	69.5
Government Bonds	7.9	6.7
Other Bonds	10.0	9.5
Property	9.3	11.2
Cash/Liquidity	5.3	3.1
Other	0.0	0.0
Totals	100.0	100.00

History of Experience Gains and Losses

The actuarial gains which are identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011 and the previous four years.

Experience of Gains and Losses	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
Differences between the Expected and Actual Return on Assets	1.10	(12.80)	(35.00)	(20.9)	(2.1)
Experience Gains and Losses on Liabilities	(0.00)	1.90	0.00	0.00	5.9

Note 43. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

Operating Activities	2009/10	2010/11
	£'000	£'000
Interest Received	3,003	577
Interest Paid	(6,344)	(5,713)
Dividends received		0

Note 44. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for investing activities include the following:

Investing Activities	2009/10	2010/11
	£'000	£'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(30,034)	(21,175)
Purchase of Short Term and Long Term Investments	0	(13,979)
Other Payments for Investing Activities	0	0
Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	1,185	1,807
Proceeds from Short Term and Long Term Investments	3,081	0
Government Grants and Contributions	28,412	3,580
Other Receipts from Investing Activities	4,127	0
Net Cash Flows from Investing Activities	**6,771**	**(29,767)**

Note 45. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for financing activities include the following:

Financing Activities	2009/10	2010/11
	£'000	£'000
Cash Receipts of Short Term and Long Term Borrowing	86,600	533,300
Other Receipts from Financing Activities:		
Council Tax and NNDR adjustments	46,917	8,757
Cash Payments for the reduction of the Outstanding Liabilities relating to Finance Leases and non PFI Service Concessions	0	
Repayments of Short Term and Long Term Borrowing	(85,440)	(541,411)
Net Cash Flows from Financing Activities	**48,077**	**646**

Note 46. ANALYSIS OF GOVERNMENT GRANTS

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11.

Grants and Contributions	**2009/10**	**2010/11**
	£'000	**£'000**
Credited to Taxation and Non Specific Grant Income:		
Revenue Support Grant	(10,882)	(7,578)
Local Area Based Grant	(7,229)	(9,121)
Capital Grants and Contributions	(16,551)	(7,958)
Total	**(34,662)**	**(24,657)**
Credited to Services:		
Housing and Council Tax Benefit	(60,274)	(62,255)
Housing Subsidy	6,257	12,621
Dedicated Schools Grant	(106,961)	(97,352)
Standards Fund	(16,439)	(10,924)
School Development Grant	0	(4,459)
Devolved formula capital	0	(1,310)
Basic Need Safety Valve	0	(2,563)
Other school capital grants	0	(2,016)
Social Care Reform Grant	(514)	
Aids Support Grant	(62)	(126)
Refugees' Grant - Children	(746)	(711)
DAT Grant	(61)	(59)
DOH Grant	(114)	(90)
Young Persons' Substance Misuse Grant	(141)	(147)
Integrated Children's' Service Grant	(31)	0
TCAC Pump Priming Grant	(153)	0
LPSA Reward Grant	(587)	0
LAA Grants	(112)	(1,447)
Positive Activities for Young People Grant	(2)	0
Aim Higher Funding	(254)	(74)
Targeted Mental Health in Schools	(207)	0
Health Authority Joint Funding	(2,418)	(1,500)
LD Section 28A Partnership	(4,225)	(4,630)
Inter Agency Finance	(94)	0
Youth Justice Board	(467)	0
Sports Development	(85)	0
Sponsorship	(138)	0
Contributions from Other Local Authorities	(1,079)	0
Contributions from Other Bodies	(3,673)	(3,677)
Donations	(6)	0
Credited to Schools:		
Grants	(208)	(156)
School Milk Subsidy Income	(3)	(2)
Contributions from Other Bodies	(70)	(58)
Donations	(502)	(525)
Total	**(193,375)**	**(206,115)**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that would require the

monies or property to be returned to the giver if those conditions are not met. The balances on these at the year end are as follows:

Grants and Contributions – Conditions attached	**2009/10**	**2010/11**
	£'000	**£000**
Capital Grants Receipts in Advance:		
Section 106 receipt	3,400	0
Total	**3,400**	**0**
Donated Assets Account:		
Other Donations	0	0
Total	**0**	**0**

Note 47. LOCAL AREA AGREEMENT (LAA)

The Authority is a participant in an LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2010/11 the LAA has completed its fourth year.

The purpose of the LAA is to provide a strategic and coordinated approach to delivery across all those who deliver services in Thurrock. As such, the LAA enables partners in Thurrock to balance delivery against the competing mix of national and local priorities. The LAA also provides partners with opportunities to enhance delivery through aligning and pooling of resources across the partnership.

LAA partners taking a lead role in delivery include:

Thurrock Council
South West Essex Primary Care Trust
Essex Police
Thurrock Thames Gateway Development Corporation
Thurrock Adult Community College
Thurrock Council for Voluntary Services
Thurrock and Southend Connexions
Local businesses
Local voluntary, community and faith groups
Regional agencies and charities

Thurrock Council acts as the accountable body for the LAA. This means that the Authority is responsible for administering the distribution of the grant paid by Government to those partners involved. Decisions about how this funding is distributed amongst partners are at the discretion of the Shaping Thurrock Partnership, not the Authority.

As accountable body, the Authority is potentially responsible for repaying to the Government any element of grant that is found to have been misused by its partners. Systems are in place for distributing the grant that are designed to limit the possibility that this will happen. It has not been necessary to recognise any contingent liabilities for possible repayments and no provisions have been made for any such eventuality.

Note 48. CONTINGENT LIABILITIES

- The Authority has a contractual agreement with the Department for Education whereby £5 million of financing for the Gateway Academy is grant repayable on vacation of the St. Chad's site. The Authority is re-negotiating this agreement so as to make repayment either consequent on sale of the vacated St Chad's site or by raising unsupported borrowing. It would therefore at the reporting date be inappropriate to treat this debt as a creditor.

- The landowner of a field next to the former Buckingham landfill site is claiming that there is land contamination arising from the landfill site affecting his land. The potential claim is not known at this stage and as a result is treated as a contingent liability.

- The Authority is proposing to enter into an agreement with Essex County Council and Southend Borough Council to underwrite any Pension Fund Employer Liability arising out of the winding up of Essex Careers and Business Partnership. This agreement commenced in April 2008.

Note 49. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across the Authority's directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement,

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than the current service cost of benefits accrued in the year, and

- expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Authority's principal directorates as recorded in budget monitoring reports during the year at outturn is as follows:

Directorate Income and Expenditure 2010/11 Comparatives	**Sustainable Communities**	**Children, Education and Families**	**Community Well-being**	**Transformation**	**Finance and Corporate Governance**	**Core Accountancy**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fees, Charges and Other Service Income	(9,000)	(19,327)	(14,778)	(1,775)	(3,385)		(48,265)
Government Grants	(2,287)	(158,437)	(1,279)	(86)	(64,492)		(226,581)
Earmarked Reserves						(2,409)	(2,409)
Total Income	**(11,287)**	**(177,764)**	**(16,057)**	**(1,861)**	**(67,877)**	**(2,409)**	**(277,255)**
Employee Expenses	12,314	26,395	13,950	2,178	9,897	972	65,705
Other Service Expenses	23,131	177,428	39,945	20,876	63,982		325,362
Support Service Recharges							0
Total Expenditure	**35,445**	**203,823**	**53,895**	**23,054**	**73,879**	**972**	**391,068**
Net Expenditure	**24,158**	**26,059**	**37,838**	**21,193**	**6,002**	**(1,437)**	**113,813**

Directorate Income and Expenditure 2009/10 Comparatives	**Sustainable Communities**	**Children, Education and Families**	**Community Well-being**	**Transformation**	**Finance and Corporate Governance**	**Core Accountancy**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fees, Charges and Other Service Income	(7,118)	(14,588)	(14,426)	(642)	(4,374)	0	(41,148)
Government Grants	(1,092)	(132,814)	(4,464)	0	(60,444)	0	(198,814)
Earmarked Reserves	(1,161)	0	0	(200)	(374)	(2,362)	(4,097)

Directorate Income and Expenditure 2009/10 Comparatives	Sustainable Communities	Children, Education and Families	Community Well-being	Transformation	Finance and Corporate Governance	Core Accountancy	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total Income	**(9,371)**	**(147,402)**	**(18,890)**	**(842)**	**(65,192)**	**(2,362)**	**(244,059)**
Employee Expenses	8,083	20,670	15,084	1,835	5,761	0	51,433
Other Service Expenses	25,551	154,762	41,146	1,924	84,851	10,091	318,325
Support Service Recharges	0	0	0	0	0	0	0
Deferment of Expenditure	0	0	0	0	0	(817)	(817)
Total Expenditure	**33,634**	**175,432**	**56,230**	**3,759**	**90,612**	**9,274**	**368,941**
Net Expenditure	**24,263**	**28,030**	**37,340**	**2,917**	**25,420**	**6,912**	**124,882**

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

Reconciliation of Directorate Net Expenditure to the Comprehensive Income and Expenditure Statement	2009/10	2010/11
	£'000	£'000
Total Net Expenditure in the Directorate Analysis	124,882	133,813
Net Expenditure of Services and Support Services not included in the Analysis	8,966	(25,569)
Amounts in the Comprehensive Income and Expenditure Statement not Reported to Management in the Analysis		84,729
Amounts included in the Analysis not Included in the Comprehensive Income and Expenditure Statement	4,914	(4,097)
Cost of Services in Comprehensive Income and Expenditure Statement	**138,762**	**188,876**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis 2010/11	Directorate Analysis	Services and Support Services not in the Analysis	Amounts not reported to Management	Amounts not Included in Income and Expenditure Statement	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fees, Charges and Other Service Income	(48,265)	0	(38,124)	0	0		0	(86,390)
Interest and Investment Income	0	0	0	0	0	0	(524)	(524)
Income from Council Tax	0	0	0	0	0	0	(56,419)	(56,419)
Government Grants and Contributions	(226,581)	0	0	0	0		(76,844)	(303,425)
Total Income	**(274,847)**	**0**	**(38,124)**	**0**			**(133,787)**	**(446,758)**
Employees' Expenses	65,706	(22,625)	5,801	0			0	52,044
Other Service Expenses	325,362	2,234	21,189	0			0	348,785
Support Service Recharges	0	(12,646)	2,772	0		0	918	(8,956)
Depreciation, Amortisation and Impairment	0	16,272	94,471	0	0		0	110,743

Reconciliation to Subjective Analysis 2010/11	Directorate Analysis	Services and Support Services not in the Analysis	Amounts not reported to Management	Amounts not Included in Income and Expenditure Statement	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£’000	**£’000**	**£’000**	**£’000**	**£’000**	**£’000**	**£’000**	**£’000**
Interest Payments	0	0	0	0	0	0	4,016	4,016
Precepts and Levies	0	0	0	0	0	0	570	570
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	666	666
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0		
Total Expenditure	**391,068**	**(16,764)**	**124,233**	**0**	**0**	**0**	**9,332**	**507,869**
Surplus or Deficit on the Provision of Services	**116,221**	**(16,764)**	**86,109**	**0**	**0**	**0**	**(124,455)**	**61,111**

Reconciliation to Subjective Analysis 2009/10 Comparatives	Directorate Analysis	Services and Support Services not in the Analysis	Amounts not reported to Management	Amounts not Included in Income and Expenditure Statement	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fees, Charges and Other Service Income	(41,147)	0	0	0	0	0	0	(41,147)
Interest and Investment Income	0	0	0	0	0	0	0	0
Income from Council Tax	0	0	0	0	0	0	(55,456)	(55,456)
Government Grants and Contributions	(198,815)	0	0	0	0	0	(81,806)	(280,621)
Total Income	**(239,962)**	**0**	**0**	**0**	**0**	**0**	**(137,262)**	**(377,224)**
Employees' Expenses	51,433	0	7,263	0	0	0	0	58,696
Other Service Expenses	318,325	0	0	0	0	0	0	318,325
Support Service Recharges	0	0	13,830	0	0	0	0	13,830
Depreciation, Amortisation and Impairment	0	0	23,413	0	0	0	0	23,413
Interest Payments	5,384	0	0	0	0	0	7,860	13,244
Precepts and Levies	0	0	0	0	0	0	479	479
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	815	815
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	5,106	5,106

Reconciliation to Subjective Analysis 2009/10 Comparatives	Directorate Analysis	Services and Support Services not in the Analysis	Amounts not reported to Management	Amounts not Included in Income and Expenditure Statement	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Total Expenditure	375,142	**0**	**44,506**	**0**	**0**	**0**	**14,260**	**433,908**
Surplus or Deficit on the Provision of Services	**135,180**	0	**44,506**	**0**	**0**	**0**	**(123,002)**	**56,684**

Note 50. RECONCILIATION TO ACCOUNTS PUBLISHED IN 2010

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code of Practice has resulted in the restatement of various balances and transactions, with the result that some amounts now presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the financial statements for 2009/10 and the equivalent amounts presented in the financial statements for 2010/11. It should be noted that some Balance Sheet headings, for example Short Term Creditors, have been amended for more one of the purposes listed.

1. Cash and Cash Equivalents

Under IFRS Cash and Cash Equivalents are defined as cash in hand and demand deposits. It is therefore necessary to restate reported cash and short term investments by reclassifying monies lent overnight on 31 March as a cash equivalent.

Opening 1 April 2009 Balance Sheet	**2009/10 Statements**	**Adjustments**
	£'000	**£'000**
Short Term Investments	57,452	(8,800)
Cash and Cash Equivalents	4,632	8,800

31 April 2010 Balance Sheet	**2009/10 Statements**	**Adjustments**
	£'000	**£'000**
Short Term Investments	53,862	(4,800)
Cash and Cash Equivalents	7,240	4,800

2. Short Term Accumulating Compensated Absences

Short term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits (such as flexi leave) is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under previous accounting arrangements, no such accrual was required.

The Government has issued Regulations that mean that local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulating Absences Account until the benefits are used. Accruing for short term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements.

Opening 1 April 2009 Balance Sheet	2009/10 Statements	Adjustments
	£'000	£'000
Short Term Creditors	(29,086)	(1,889)
Accumulated Absences Account (Unusable Reserve)	0	1,889

31 March 2010 Balance Sheet	2009/10 Statements	Adjustments
	£'000	£'000
Short Term Creditors	(28,145)	(2,305)
Accumulated Absences Account	0	2,305

2009/10 Comprehensive Income and Expenditure Statement – Gross Expenditure	2009/10 Statements	Adjustments
	£'000	£'000
Adult Social Care	50,596	6
Education and Children's Services	360,378	393
Cultural, Environmental, Regulatory and Planning Services	36,005	5
Corporate and Democratic Core	9,601	12

3. Government Grants and Capital Contributions

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a government grants and contributions deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.

- Portions of government grants deferred previously recognised as income in the 2009/10 financial statements have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

- No income was recognised in 2009/10 in respect of grants and contributions received but not used for the financing of capital, which were shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following the change in accounting policy, the grant has been recognised in full and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet, or if there were conditions to be met, to Capital Grants Receipts in Advance in the Liabilities section of the Balance Sheet.

- It has also proved necessary to adjust debtors and creditors in respect of grants used in the financing of capital investment but not yet received and of grants

received in advance where there are conditions to be met (previously recorded as creditors).

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet	**2009/10 Statements**	**Adjustments**
	£'000	**£'000**
Government Grants Deferred Account	(91,872)	91,872
Capital Adjustment Account	(853,815)	(88,204)
Capital Grants Unapplied (no conditions to be met)	0	(7,357)
Capital Grants Receipts in Advance (conditions to be met)	0	(2,211)
Short Term Debtors	22,179	5,641
Short Term Creditors	(29,086)	715
Earmarked Reserves (Trusts)	(20,820)	28
Earmarked Reserves (Revenue Grants Unapplied)	(20,820)	(485)

31 March 2010 Balance Sheet	**2009/10 Statements**	**Adjustments**
	£'000	**£'000**
Government Grants Deferred Account	(78,925)	78,925
Grants Unapplied Account (Liabilities)	(2,014)	(2,014)
Capital Adjustment Account	(719,050)	(53,003)
Capital Grants Unapplied Account (Reserves)	(23,908)	(23,908)

2009/10 Comprehensive Income and Expenditure Statement – Gross Income	**2009/10 Statements**	**Adjustments**
	£'000	**£'000**
Adult Social Care	(14,434)	31
Central Services to the Public	(12,412)	18
Education and Children's Services	(195,642)	40,170
Cultural, Environmental, Regulatory and Planning Services	(6,471)	416
Highways and Transport Services	(3,155)	393
Other Housing Services	(52,455)	42
Corporate and Democratic Core	(3,394)	299
Taxation and Non Specific Grant Income	(120,711)	(16,551)

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both previous and current accounting policies.

4. Restatement of Fixed Assets

It has been necessary under the Code to re-classify certain assets and re-state the asset totals in accordance with the new accounting requirements. In particular, most assets that under UK GAAP that were classified as Investment Property are no longer classified as Investment Properties under the more rigorous IFRS definitions. The re-categorisation of these properties has also required the re calculation of both the Revaluation Reserve and

Capital Adjustment Account balances consequent upon their revaluation for their new categories.

It has also been decided to report all Property, Plant and Equipment as a single total in the Balance Sheet with a full analysis of the movements on the balances re-stated as at 1 April 2009 in both 2009/10 and 2010/11 reported in Note 22 the financial statements.

Opening 1 April 2009 Balance Sheet	**2009/10 Statements**	**Adjustments**
	£'000	**£'000**
Council Dwellings	537,889	(537,889)
Other Land and Buildings	433,266	(433,266)
Vehicles, Plant, Furniture and Equipment	2,425	(2,425)
Infrastructure	56,245	(56,245)
Community Assets	9,018	(9,018)
Investment Properties	24,794	(21,061)
Assets under Construction	10,488	(10,488)
Land awaiting Development	15,603	(15,603)
Surplus Assets held for Disposal	8,580	(8,580)
Property, Plant and Equipment	0	1,095,626
Revaluation Reserve	(35,221)	360
Capital Adjustment Account	(853,915)	(1,410)

5. Foundation Schools and Academies

In 2009/10 there was a post audit adjustment made to the Council's published figures comprising the removal from its Balance Sheet of Foundation Schools and Academies on the judgment that these assets have passed from the ownership of the Authority to the Governing Bodies or Department for Education. The adjustment set out in the table below has therefore been made to the restated asset and other balances set out in the Table above.

Opening 1 April 2009 Balance Sheet	**2009/10 Statements**	**Adjustments**
	£'000	**£'000**
Property, Plant and Equipment (as restated in Note 4 above)	1,095,626	(149,098)
Capital Adjustment Account	(35,221)	6,775
Revaluation Reserve	(853,915)	142,323

The restatement of fixed assets and the rolling back to the opening Balance Sheet of the foundation schools and academies adjustment has led also to the restatement of depreciation and impairment charged to the 2009/10 UK GAAP Income and Expenditure Account as set out below:

2009/10 Comprehensive Income and Expenditure Statement – Gross Expenditure	**2009/10 Statements**	**Adjustments**
	£'000	**£'000**
Central Services to the Public	12,784	14
Education and Children's Services	360,378	(156,046)
Highways and Transport Services	12,225	(1)
Local Authority Housing (HRA)	46,522	(25)
Other Housing Services	54,372	(2)

6. Assets Held for Sale

In accordance with the Authority's accounting policy in respect of Right to Buy Housing disposals, an asset sold in April 2009 is required to be re-valued and accounted for as a Current Asset. The table below sets out the adjustments to the previously published accounts as restated above.

Opening 1 April 2009 Balance Sheet	**2009/10 Statements**	**Adjustments**
	£'000	**£'000**
Property, Plant and Equipment (as restated in para 4 above)	1,095,626	(30)
Assets Held for Sale (Current Assets)	0	39
Revaluation Reserve	(35,221)	(9)

Note 51. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place after this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

HRA INCOME AND EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with international financial reporting standards, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations: this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement

	HRA INCOME AND EXPENDITURE STATEMENT		
Notes		**2009/10**	**2010/11**
		£'000	**£'000**
	EXPENDITURE		
	Repairs and Maintenance	11,869	**11,985**
	Supervision and Management	15,908	**15,681**
	Rents, Rates, Taxes and Other Charges	44	**44**
2	Negative HRA Subsidy Payable	6,257	**12,621**
3	Depreciation and Impairment of Non Current Assets	16,220	**93,875**
	Debt Management Costs	17	**22**
	Movement in the Allowance for Bad Debts	269	**702**
	Deferred Purchase Capital Payment	122	**0**
	Total Expenditure	**50,706**	**134,930**
	INCOME		
	DWELLING RENTS		
1	Gross Rent from Dwellings	(35,656)	**(36,300)**
	Less Voids	302	**302**
	Sub Total	(35,355)	**(35,998)**
	NON DWELLING RENTS		
	Shop Rents	(833)	**(768)**
	Garage Rents	(783)	**(816)**
	Premises Income	(224)	**(160)**
	Sub total	(1,840)	**(1,744)**
	CHARGES FOR SERVICES AND FACILITIES		
	Water Charges	(4,462)	**(4,643)**
	Supervision and Management	(575)	**(571)**
	Central Heating Charges	(36)	**(37)**
	Sub total	(5,073)	**(5,251)**
	CONTRIBUTION TOWARDS EXPENDITURE		
	General Fund Transfer: Use of Housing Amenities	(180)	**(23)**
	Leaseholders Charges	(548)	**(517)**
	Tenants Service Charges	(1,906)	**(1,870)**
	Transfer from Holding Account	(184)	**(109)**
	Sub total	(2,817)	**(2,519)**
	Total Income	**(45,085)**	**(45,512)**

	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	**5,621**	**89,418**
	HRA Share of Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement		
	Net Cost of HRA Services as above	**5,621**	**89,418**
7	(Gain) or Loss on Sale of HRA Non Current Assets	(413)	**(456)**
	Interest Payable and Similar Charges (Deferred Purchase Interest)	2	**0**
	Amortisation of Premiums and Discounts (Premium on Debt Restructuring)	17	**21**
	Interest and Investment Income	27	**61**
4	Pension Interest Cost and Expected Return on Pension Assets	44	**0**
	Capital Grants and Contributions Receivable	0	**0**
	(Surplus)/Deficit for the Year on HRA Services	**5,298**	**89,044**
	MOVEMENT ON THE HRA BALANCE		
		2009/10	**2010/11**
		£'000	**£'000**
	Balance on the HRA at 1 April	**(2,103)**	**(2,409)**
	(Surplus)/Deficit for the Year on the HRA Income and Expenditure Statement	**5,298**	**89,044**
	Adjustments between Accounting Basis and Funding Basis under Statute:		
	Transfers to/from the Accumulated Absences Account	0	**(36)**
	Gain or Loss on Sale of HRA Non Current Assets	413	**456**
	Capital Expenditure Funded by the HRA	0	**0**
	Transfer to/from Pensions Reserve	0	**(194)**
	Net Increase/(Decrease) before transfers to/from Reserves	**5,711**	**89,270**
	Transfers to/(from) Reserves:		
5	Transfer to/(from) the Major Repairs Reserve	2,763	**(2,742)**
	Transfer to/(from) the Capital Adjustment Account	(8,780)	**(86,667)**
	(Increase)/Decrease in the Year on the HRA Balance	**(306)**	**(139)**
	Balance on the HRA at 31 March	**(2,409)**	**(2,548)**

NOTES TO THE HOUSING REVENUE ACCOUNT

(1) Gross Rent Income

The level of rent arrears is as follows:-

Rent Arrears	**2009/10**	**2010/11**
	£	**£**
Gross Current Arrears at 31 March	1,064,351	973,562
As a Proportion of Gross Rent Income Collectable in the Year	2.99%	2.69%
Former Tenant Arrears at 31 March	544,708	670,563

Amounts written off during the year amounted to £115,992.

There is a provision in the sum of £917,574 for the potential write off of irrecoverable debts.

(2) HRA Subsidy

The negative HRA subsidy, payable to the central government is detailed below. Subsidy is based on a notional account which represents the Government's assessment of what the Council should be collecting and spending.

Analysis of HRA Negative Subsidy	**2009/10**	**2010/11**
	£000	**£000**
Management Allowance	5,666	5,752
Maintenance Allowance	11,746	11,933
Major Repairs Allowance	7,361	7,465
MRA Adjustment from Pre-Budget Report 2008	3,000	(3,000)
Charges for Capital	1,121	1,140
Other Items of Reckonable Expenditure	8	0
Admissible Allowance	0	0
Less:		
Notional Rent Income	(35,122)	(35,909)
Prior Year Adjustments	(32)	0
Interest on Receipts	(5)	(2)
HRA Subsidy Payable	**(6,257)**	**(12,621)**

(3) Depreciation

Depreciation of £7.208 million was charged to the HRA in relation to operational assets comprising dwellings, other land and buildings, and plant and equipment, plus an impairment charge of £86.667 million, of which £80.288 million relates to a change in the Social Housing Factor percentage

Analysis of Depreciation and Impairment Charges	**2009/10**	**2010/11**
	£'000	**£'000**
Depreciation:		
Dwellings	6,820	6,417
Other Land and Buildings	152	158
Plant and Equipment	2,393	534
Non-Operational Property, Plant and Equipment	115	99

Analysis of Depreciation and Impairment Charges	2009/10	2010/11
	£'000	£'000
Impairment of Property, Plant and Equipment	8,622	86,667
Total for Year	**18,102**	**93,875**

(4) Pension Reserve Movement

In order to comply with proper accounting practices under IFRS the current service costs of pensions have been included in the HRA. The impact has been reversed out in the Movement on the HRA Balance Statement to the Pensions Reserve leaving no overall impact upon the HRA.

(5) Accumulated Absences Account

In order to comply with proper accounting practices under IFRS the current costs of untaken staff leave at the year end have been included in the HRA. The impact has been reversed out in the Movement on the HRA Balance Statement to the Accumulated Absences Adjustment Account leaving no overall impact upon the HRA.

(6) Housing Stock

The Council was responsible for managing on average 10,317 dwellings during 2010/11. The Council's actual housing stock as at 31 March 2011 was 10,312 and was made up as follows:

Number and Types of Properties at 31 March	31 March 2010	31 March 2011
Number of Houses and Bungalows	5,570	5,562
Number of Flats and Maisonettes	3,530	3,528
Number of Aged Person Dwellings	1,222	1,222
Total at 31 March	**10,322**	**10,312**

The change in the stock of properties may be analysed as follows:

Change in Stock of Properties	2009/10	2010/11
Stock at 1 April	10,334	10,322
Less Sales	(14)	(10)
Additions	2	0
Stock at 31 March	**10,322**	**10,312**

The Balance Sheet value of the land, houses and other properties within the Authority's HRA is as follows:

Balance Sheet Value of HRA Properties	2009/10	2010/11
	£'000	£'000
Operational Non Current Assets:		
Dwellings	552,907	456,360
Non-Operational Non Current Assets	13,257	13,250
Totals	**556,164**	**469,610**

The vacant possession value of dwellings within the HRA as at 1st April 2010 was £1,150 million. The vacant possession value compared with the Balance Sheet value of the dwellings show the economic cost to the Government of providing Council housing at less than open market rents.

(7) Major Repairs Reserve

Major Repairs Reserve Account	**2009/10**	**2010/11**
	£'000	**£'000**
Balance as at 1 April	(41)	(2,897)
Depreciation	(7,598)	(7,208)
Transfer to HRA	(2,763)	2,742
Financing of Capital Expenditure	7,504	3,556
Balances as at 31 March	**(2,897)**	**(3,806)**

(8) Capital Expenditure

Capital expenditure on land, houses and other properties within the HRA in 2010/11 was financed as follows:

Financing of Capital Expenditure	**2009/10**	**2010/11**
	£'000	**£'000**
Major Repairs Reserve	7,504	3,556
Totals	**7,504**	**3,556**

(9) Capital Receipts

Capital receipts from the sale of dwellings under the tenants' "right to buy" provisions and from sales of other land and buildings held within the HRA were as follows:

Capital Receipts	**2009/10**	**2010/11**
	£'000	**£'000**
Sales of Dwellings	1,198	943
Sales of Other Non Current Assets	25	0
	1,213	**943**

THE COLLECTION FUND STATEMENT

The Collection Fund Statement is an agent's statement that reflects the statutory obligation for billing authorities, such as Thurrock Council, to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to the Essex Police and Fire authorities and the Government of council tax and non domestic rates. The actual costs of administering collection are accounted for in the Authority's General Fund; the amount shown in the Statement below is an allowance fixed in accordance with regulations.

Notes		2009/10	2010/11	
		£'000	£'000	£'000
	Income			
2	Council Tax	(55,724)	**(56,852)**	
	Transfers from General Fund:			
	Council Tax Benefits	(10,264)	**(11,052)**	
3	Income Collectable from Business Ratepayers	(88,433)	**(96,873)**	
	Total Income	**(154,421)**		**(164,777)**
	Expenditure			
	Precepts and Demands:			
	Essex Police Authority	6,623	**6,811**	
	Essex Fire Authority	3,337	**3,424**	
	Thurrock Borough Council	55,436	**56,998**	
	Sub total	65,396		**67,233**
	Business Rate			
	Payment to National Pool	88,195	**96,641**	
	Costs of Collection	238	**232**	
	Sub total	88,433		**96,873**
	Provision for Bad Debts:			
	Change in Provision	(344)	**251**	
4	Write Offs	909	**1,517**	
	Sub total	565		**1,768**
	Contributions			
	Essex Police Authority	44	**(69)**	
	Essex Fire Authority	23	**(35)**	
	Thurrock Borough Council	383	**(578)**	
	Sub total	450		**(682)**
	Total Expenditure	**154,844**		**165,192**
	(Surplus)/Deficit for year	423		**415**
	Fund Balance brought forward	(142)		**281**
5	Fund Balance carried forward	**281**		**696**

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NOTES TO THE COLLECTION FUND STATEMENT

(1) General

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund. The transactions of the Collection Fund are wholly prescribed by legislation. The fund account is prepared on an accruals basis and complies with the appropriate Regulations and with the Code of Practice. The balance on the account attributable to Thurrock Council is consolidated into the Authority's Balance Sheet as an Unusable Reserve, the remainder is consolidated into debtors or creditors as amounts owed to or owing by the other preceptors on the Fund.

(2) Council Tax

The Council's tax base, which is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, was calculated as follows -

Band	Estimated Number of Taxable Properties after Effect of Discounts	Ratio	Band D Equivalent Dwellings
A*	10	5:9	6
A	5,964	6:9	3,976
B	10,945	7:9	8,513
C	23,331	8:9	20,739
D	10,094	9:9	10,094
E	4,028	11:9	4,923
F	1,940	13:9	2,803
G	740	15:9	1,232
H	27	18:9	54
	57,079		**52,340**
Less adjustment for collection rate and for anticipated changes during the year for successful appeals against valuation banding, new properties, demolitions, disabled persons relief and exempt properties.			785
Council Tax Base			**51,555**

(3) Income from Business Ratepayers

Non-Domestic Rates are organised on a national basis. Local businesses pay rates calculated by multiplying their rateable value by an amount specified by the Government. In 2010/11 41.4p was the small business multiplier and 40.7p the large business multiplier (48.1p small business multiplier and 48.5p large business multiplier in 2009/10). The Council is responsible for collecting rates due from the ratepayers in its area. The total amount, less certain reliefs and other deductions, is paid into a central pool (the NNDR Pool) administered by the Government. The Government redistributes the sums paid into the Pool back to local authorities on the basis of a fixed amount per head of population. The sum of £52.187 million was paid into the Council's General Fund, and this amount has been credited to the Comprehensive Income and Expenditure Statement.

The total Non-Domestic rateable value at the 31 March 2011 was £253,590,772 (£212,913,617 at 31 March 2010).

(4) Bad Debts

Amounts written off during the year amounted to £1,516,340 (£909,636 in 2009/10). There is a provision in the sum of £2.332 million for the potential write off of irrecoverable debts.

(5) Reconciliation of Collection Fund to Balance Sheet

The balance for the Collection Fund showing on the Balance Sheet is £591,000; this is different to the balance of £696,000 showing in the Collection Fund Statement. The table below shows how the share of the deficit is apportioned. The deficit share that relates to the Police and Fire is included in the debtors and creditors in the Balance Sheet.

Thurrock Council Share of Balance	Police Service Share of Balance	Fire Service Share of Balance	Total
£' 000	£' 000	£' 000	£' 000
591	71	34	696

THURROCK COUNCIL ANNUAL GOVERNANCE STATEMENT 2010/11

1. SCOPE OF RESPONSIBILITY

1.1 Thurrock Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Thurrock Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 Thurrock Council is responsible for putting in place proper arrangements for the governance of its affairs facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Thurrock Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how Thurrock Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control. The code of corporate governance can be found at Thurrock Council | Council & Democracy | Local Code of Governance

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 The governance framework comprises the systems and processes and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at Thurrock Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements are:

- The Authority has a Council that meets approximately monthly. Except for 'exempt' items, the Council meets in public session. These are advertised in advance of the meeting, as are all Council committee events. All minutes are published once approved.
- A Community Strategy that sets out the community vision and priorities for Thurrock for the next ten years. The strategy was developed by the Shaping Thurrock – the Local Strategic Partnership - which consists of public, voluntary, community and private sector organisations. The Council cascades the Sustainable Community Strategy into its business planning framework through the Corporate Plan.
- The Corporate Plan sets out 6 priorities for delivery in the short, medium and longer term:

- improve the education and skills of local people
- encourage and promote job creation and economic prosperity
- ensure a safe, clean and green environment
- provide and commission high quality and accessible services that meet, wherever possible, individual needs
- build pride, respect and responsibility in Thurrock's communities and its residents.

- The Council approves: the budget, including the allocation of financial resources to different services and projects; contingency plans; the Council tax base; the setting of the Council tax; decisions relating to the Council's overall borrowing requirements; the control of capital expenditure; the setting of virement limits etc. Throughout the year there are monthly financial management reports with onward monitoring reports to Members on a quarterly basis.
- A medium term financial strategy, which is reviewed and updated annually to support the achievement of the Council's corporate priorities.
- The financial management of the authority is conducted in accordance with relevant professional guidance such as the CIPFA Code on Treasury Management, Prudential Code and the Financial Procedure Rules as set out in the Council's Constitution.
- A formal Performance Management Framework, which works on the "Plan-Do-Review-Revise" cycle and covers all areas of performance management including the balanced scorecard process, corporate planning cycle, risk management, accountability etc.
- The Performance Management framework articulates the approach to risk and opportunity management and sets out the processes for identifying, assessing and managing risks and opportunities in achieving the Council's objectives.
- A new Performance Board is a council wide officer working group, sponsored by a Director, which is tasked with ensuring that the Council's Performance and Risk and Opportunity Frameworks remain up to date and relevant and support the transformation and improvement agendas. The Board also provides assurance that the Corporate Scorecard is delivering the Council's 5 priorities and through its challenge process identifies areas of good and under performance. In the event of underperformance the Board makes recommendations to Directors' Board to commission recovery planning. Furthermore the Performance Board acts on behalf of the Directors Board in providing overview and scrutiny of those council performance indicators that are service based and not contained within the Corporate Scorecard.
- All major Committee reports include a risk assessment element to support and inform the decision making process, with central guidance and advice available to managers and report authors.
- Risk Management has to be considered as part of the arrangements around the strategic and service planning processes of the Council. Strategic and corporate risk reviews are undertaken on a quarterly basis with the Corporate Management Team and the outcomes reported to the Audit Committee.
- A centralised risk register is in place and appropriate staff have been trained in the assessment, management and monitoring of risks.
- A scheme of delegation for both officers and portfolio holders setting out the functions that chief officers and members may discharge on behalf of the Council.
- There are four Overview and Scrutiny Committees that would regularly review specific policy areas, supported by Commissions (sub-committees) covering specific policy areas. The Committees broadly cover the work areas of the three customer facing and the corporate and administrative Corporate Directorates. An Overview

and Scrutiny Committee can 'call-in' a decision of the Cabinet within five days of the publication of the minutes of the Cabinet meeting.

- An Audit Committee which is independent of both the executive and the overview and scrutiny function, and whose role includes maintaining an overview of the Council's governance framework, performance of key Council functions and regular review of the risk management process. The committee has two independent members.
- A Standards Committee which is responsible for promoting high standards of conduct by councillors, monitoring the operation of the Members Code of Conduct, and maintaining an overview of ethical standards across the Council. The committee has two independent members who are the Chairman and Vice-Chairman.
- A Monitoring Officer whose functions include maintaining the Council's Constitution, overseeing compliance with legislation, reporting to full Council on any potential unlawfulness or maladministration, and supporting the Standards Committee.
- A Chief Financial Officer who is responsible for the proper administration of the Council's financial affairs and for ensuring the lawfulness and financial prudence of decision-making.
- A set of Financial Procedure and Contract Procedure Rules, which stipulate how the financial management of the Council is to be conducted.
- An internal audit service whose role includes reviewing the effectiveness of the Council's control systems in accordance with the standards set out in the Code of Practice for Internal Audit in Local Government.
- An anti-fraud and corruption strategy which outlines the Council's commitment to preventing and detecting fraud and corruption and includes the whistle-blowing policy which provides protection to staff wishing to raise concerns about potential malpractice in the organisation.
- A corporate complaints handling procedure that sets out how complaints will be investigated, recorded, and monitored and ensures compliance with statutory requirements.
- A Human Resources framework which sets out the Council's approach to employee relations, its policies and procedures for performance management and the required standards of employee conduct.
- Personal Development Plans for members and senior officers are used to identify their development needs in relation to their strategic roles and are supported by appropriate training.

The Council also works with its partners in delivering services, and operates the following governance arrangements:

- The Council delivers a significant proportion of its services through its strategic partnership contract with Vertex. The direction and performance of the partnership is governed through the Strategic Partnership Board and key risks are reviewed monthly by Business Development Managers (client side) and representatives of Vertex. Reports are also provided to meetings of the Performance and Improvement Overview and Scrutiny Committee.

4. REVIEW OF EFFECTIVENESS

Thurrock Council has responsibility for conducting, at least annually, a review of its governance framework including the system of internal control. The review of the effectiveness of internal control is informed by the work of the Corporate Directors/Heads of Service within the authority who have the responsibility for the development and maintenance of the governance environment, the Head of Internal

Audit's reports and also comments made by the external auditors in their annual audit letter and the findings of other review agencies/inspectorates.

In practice the Council has a continuous process in place for maintaining and reviewing the effectiveness of its governance framework including the following mechanisms:

- Assigning responsibility to the Directors Board for the development and maintenance of the internal control environment. The Directors Board meets on a weekly basis.
- The Head of Legal Services (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect.
- The Authority has adopted the Leader and Executive model from the Local Government Act 2000. The Executive (or Cabinet) meets monthly. It considers other Council business that is not expressly reserved to the Council or other parts of the Authority. It is the main decision-making body of the Council on these issues. A full definition of the Cabinet's functions can also be found in the Council's Constitution. The Leader of the Council heads the Cabinet, with a further 9 elected Members appointed to the Cabinet by the Leader.
- Regular meetings of the Council's Overview and Scrutiny Committees. They can "call-in" a decision that has been made but not yet implemented, to enable them to consider whether the decision is appropriate. They allow people to have a greater say in Council matters by holding public enquiries into matters of local concern.
- Regular meetings of the Standards Committee on a range of matters including the Code of Conduct for Members, member training, member/officer protocols and ethical governance issues.
- Corporate Directors/Heads of Service within the authority, who have responsibility for the development and maintenance of the internal control environment, were interviewed in designing the attached action plan.

The Improvement Board comprising: Members; senior management; significant partners and government agencies; has addressed a number of areas of concern including officer/member relationships, financial management and the Council's relationship with its Strategic Service Partner. This was disbanded during 2010/11 due to the progress the Council had made.

In addition, a number of actions have been taken to strengthen the Council's governance, including:

- A continuous programme of reviewing and updating key Human Resources policies and regulations.
- Training for members was developed to include specialised training for members sitting on the Planning Committees.
- Embedding the performance appraisal process across the organisation.

The Council also draws assurance on its governance arrangements from independent sources, in particular:

Internal Audit

- The internal audit service undertook a risk-based programme of audits during the year to provide the Council with assurance on the adequacy of the system of internal control. The majority of reports have a positive impact upon the annual opinion provided by the Head of Internal Audit. However, there were a number of important areas where the auditor considered that improvements were required to strengthen the Council's control framework and these are reported, by exception, to the Audit Committee.

- A dedicated Audit Committee which is tasked with reviewing the adequacy of internal controls, monitoring the performance of Internal Audit and reviewing the external Auditor's plans and reports. Internal Audit provides the Committee with an independent opinion on the adequacy and effectiveness of the Council's internal control systems. The Audit Committee now includes two Independent Members.

- The Head of Audit reports to the Audit Committee annually, and at interim periods during the year, on internal audit work carried out and delivers an assurance opinion on those systems reviewed. Assurance levels are substantial, adequate or limited. Audits with limited assurance are highlighted in the internal audit report to Committee, for further consideration by Members.

- Regular meetings with Directors, Heads of Service, and External Audit are used to inform an audit needs assessment process, which identifies potential auditable areas, as part of a three-year strategic and annual audit planning process. The plan is designed to provide both assurance that the key systems and significant risks are adequately controlled, and also to assist in major areas of development that the Council needs to address in the current year. The Audit Committee review progress against this plan at each of their meetings.

- The reporting process of Internal Audit requires a report of each audit be submitted to the relevant Director, Head of Service, Partner Managers and Section 151 Officer. The report includes recommendations for improvements, which are included within an action plan, and require agreement or rejection by service managers. Internal Audit seeks assurances from management that recommendations have been implemented within the agreed timescales.

- Internal Audit is subject to regular review by the Council's External Auditors who place some reliance on the work carried out by the section.

External audit and inspections

- The Council is subject to independent external audits and statutory inspections. The external auditor reports on the Council's governance, performance and accounting arrangements although this reduced significantly during the course of 2010/11 with the government's abolition of the Use of Resources assessment.

- One of the more significant reports from the Audit commission last year was the Annual Governance Report that evaluated the Council's financial statement and Value for Money (VFM) criteria.

  Although the Accounts were eventually unqualified, specific weaknesses were identified in the reporting of assets, system reconciliations, accounting for education related grants and working papers. They also reported that the Council's financial position was weak due to a low level of reserves.

  In terms of VFM, the Audit Commission reported that the Council had not met the minimum standards for the previous year on three of the nine criteria: Financial Planning, good governance and asset management.

- A Housing Benefits Inspection that was undertaken in April and May 2010, concluded that the benefits service provided by Thurrock Council is 'fair', with 'promising' prospects for improvement.

  New claims and changes in circumstances are now being processed more quickly and the service is easily accessible for most people. But customers are still having to wait too long for appeals to be heard.

- A Regeneration Inspection that was undertaken in early 2010, concluded that Thurrock Council is providing a 'fair' economic regeneration service, with 'uncertain' prospects of improvement. The Council's approach to regeneration has steadily improved in the past two years, but from a low base and most of the tangible achievements are yet to be delivered. Improvement planning is also becoming more robust, but not all past weaknesses have been remedied and new uncertainties, including future government funding support, now loom large. The changes in

responsibility for the Thames Gateway announced in September will also impact on the Council's approach to regeneration.

- An Ethical Governance Diagnostic reported:
  - Historically some problems, but an improved picture;
  - More demonstrable leadership now by both officers and councillors;
  - Improved ethical governance, with better structures in place;
  - Leaders of both main parties are committed to improvement;
  - Much progress achieved over last year;
  - Most councillors and officers recognise this change;
  - Still some issues to be resolved, and most in hand, **but** continuing commitment required.

- Follow up reviews of previous work showed satisfactory improvements to both procurement and gas safety. A further review also confirmed that public sector organisations across Essex were working together to tackle health inequalities and making good progress although it was recognised that there was more to do.

- The Community Solutions Team provides a front line service for all residents in the Thurrock wanting social care support, advice and information. The Care Quality Commission (CQC) completed an unannounced mystery shopping inspection during 2010. This was to assess how Local Authorities across the country provided first point of contact services focussing on information and advice, signposting and initial assessment arrangements. As a result of this inspection Adult Social Care in Thurrock was rated as *best performing council* by CQC.

5. SIGNIFICANT GOVERNANCE ISSUES

ISSUE	ACTION TO BE TAKEN 2011/12
Monitor progress against issues raised by the Annual Governance Statement.	A Corporate Governance Group that includes the Section 151 Officer, Monitoring Officer and Head of Audit and other representatives reviews progress against the AGS on a regular basis.
Annual Accounts not submitted on time or to the standard required by the External Auditors.	This has been an issue over recent years. Although the Audit Commission recognised improvements in the 2008/09 and 2009/10 accounts, further improvements are required. The Accountancy section has been restructured and there is greater emphasis on this area although this is still in infancy and there are a number of vacant posts at this time.
The value for money conclusion in the Auditor's Annual Governance Report was qualified in respect of asset management.	The Asset Management Plan has been adopted by the Council. Significant work has been carried out with Blue Marbles on developing the operational side of this plan and is coming to fruition. A Corporate Property Group has been established and is already making decisions around disposals. It is recognised that there is still some way to go before it is fully operational and embedded.
Review the arrangements around the Regulation of Investigatory Powers Act (RIPA).	The RIPA policy has been completely redrafted and updated to reflect legislative and best practice developments. The policy was considered by the Standards Committee and implemented in November 2010. The Council underwent a full inspection by the Office of Surveillance Commissioners in March 2011,

ISSUE	ACTION TO BE TAKEN 2011/12
	following which a number of recommendations were made. An action list was compiled to address these recommendations, which included further amendment to the RIPA policy, production of an aide memoire document to assist authorising officers, introduction of a system of internal quarterly audit, training for authorising officers, and annual reporting to committee. All these actions have been finalised, with the exception of further formal training scheduled for the Autumn, and ongoing quarterly audits.
Further focus performance management on outcomes and targets	The focus on performance improvement continued in 2010/11. The Council refreshed key elements of its performance framework including the update of the Corporate Plan which was integrated in to the Medium Term Financial Strategy. From this a new Corporate Scorecard was developed consisting of a twin core of key performance indicators that measure the delivery of key place shaping outcomes along with indicators that measure the effectiveness of the organisation. A new style of service planning was also developed where each head of service is required to have and monitor their progress against a service pack that includes – performance, financial, risk and project deliverables. The Performance Board has further evolved its role whereby it provides assurance, through its challenge process, of progress towards targets. In the event of underperformance the Performance Board makes recommendations to Directors' Board to commission recovery planning. Furthermore the Performance Board now acts on behalf of the Directors Board in providing overview and scrutiny of those council performance measures that are service based and not contained within the Corporate Scorecard.
Model the organisational, infrastructure and financial implications of the challenges facing the Council in the medium and longer term.	A significant amount of work and improvement has been made to the MTFS over the last 18 months and has led to the council setting budgets without the need for reserves. The MTFS needs to be made a 'live' document and the accountancy restructure has created a post that will lead on this throughout 2011/12.
Internal Audit reports issued with a Red Assurance opinion as part of the 2010/11 plan were: CRB checks; Tilbury Flagship Children's Centre; Holy Cross RC Primary; Europa Highways Review; UNIFORM Planning & Licensing Follow-up;	Implement improvements agreed with management following Internal Audit reports, according to risk prioritisation. However, it should be noted that Internal Audit output increased in 2010/11, with a total of 64 reports being issued, compared to 48 in 2009/10. Of the assurance reports issued, 7 received a red rating (15%) compared to 11 (28%) in 2009/10.

ISSUE	ACTION TO BE TAKEN 2011/12
Creditors; and 1 to 1 PDR.	
Senior Management Restructure	A criticism over the last two years has been the lack of continuity in the senior management structure. The permanent team was completed during the last financial year with the appointment of the Chief Executive and Corporate Director of Finance and Corporate Governance. At the time of writing, a restructure of the two levels below the Chief Executive has been announced and is out to consultation. The impact of this will need to be managed.
Budget pressures	Local Authority Finances are always under pressure but the austerity measures from central government have led to unprecedented reductions to funding. The impact on service users and staff will have to be carefully managed.
The Transformation Programme	The Council is currently undertaking a number of transformation projects that will have a significant impact on current methods of working and staff levels. The impact on service users and staff will have to be carefully managed.
Abolition of the Thurrock and Thames Gateway Development Corporation	The government announced as part of its austerity measures the abolition of the TTGDC from 1 April 2012 and that the services and responsibilities would transfer to the Council at that time. A working group has been established to manage that process but, am unknown quantity at this time, is any financial support from central government.
Housing Repairs Contract	The end of year audit report has been presented to the Chief Executive and Director of Finance and Corporate Governance identifying a number of key actions. These actions have been agreed and implemented. Those actions to deal with financial issues along with improvements to the service are detailed within a detailed action plan.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

GLOSSARY

Accounting Codes of Practice
These are designed to ensure consistent standards of financial accounting and reporting. There are two accounting codes applicable to local authority accounting:

- The Code of Practice 2010 sets standards for the consistent treatment of transactions, accounting entries and financial reporting in published Statements of Accounts. The Code requires that the analysis of services in the Comprehensive Income and Expenditure Statement should follow that prescribed by the BVACOP.
- The Best Value Accounting Code of Practice (BVACOP) provides for the consistent classification of income and expenditure and consistent service definitions in the accounts of all local authorities in the reporting of their Comprehensive Income and Expenditure Statements. In particular the BVACOP is designed to ensure consistency and comparability in the reporting of the total costs of individual services and activities.

Accruals
This is the concept that income and expenditure are recognised as they are earned or incurred, not when cash is received or paid and is reflected in the accounts by the inclusion of debtors and creditors.

Actuarial Gains and Losses
These arise in defined benefit pension schemes when there are changes in actuarial deficits or surpluses. They occur because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed.

Assets Held for Sale
These are classified as current assets in the Balance Sheet on the basis that they are currently being actively marketed with every expectation that they will be disposed of within 12 months.

Balances
Balances are maintained to meet expenditure pending the receipt of income and to provide a cushion against expenditure being higher or income lower than expected or budgeted for. Contributions to balances can be financed by either a planned contribution from the revenue budget or by a transfer of any fortuitous revenue surplus at the year end. The maintenance of an appropriate level of balances is a fundamental aim of prudent financial management.

Budget
This comprises a statement of the spending plans of a local authority and how they will be financed for the coming year(s).

Capital Adjustment Account (CAA)
This is a reserve set up in 2007 in accordance the then new accounting standards. The opening balance comprised the sum of the balances on the Capital Finance Account (CFA) and on the Fixed Asset Restatement Account (FARA). It is a store of the capital resources that have been deployed to finance past capital expenditure. It is classified as an Unusable Reserve.

Capital Expenditure
This comprises expenditure on the acquisition of fixed assets or expenditure, which adds to, and not merely maintains, the values of existing fixed assets.

Capital Receipts
These are the proceeds of the sale of fixed assets and repayments of capital grants and some loans. Many housing capital receipts are subject to a national pooling arrangement.

Chartered Institute of Public Finance and Accountancy (CIPFA)

This is the UK accounting Institute that produces the standards and Codes of Practice that must be followed in preparing a local authority's financial accounts and statements.

Collection Fund
This is a statutory agency account maintained by council tax billing authorities. It records council tax and non domestic rates income and expenditure, together with payments to any precepting authorities and transfers to the billing authority's own General Fund.

Community Assets
These are assets that the local authority intends to hold in perpetuity, and which have no determinable useful life. They often have restrictions on their use and disposal. Examples include parks and historic buildings.

Comprehensive Income and Expenditure Statement
This account shows all revenue cash and accounting transactions of a local authority in a financial year by service: receipts and payments are converted to income and expenditure by the inclusion of debtors and creditors, plus accounting entries for non cash costs, such as depreciation.

Contingent Assets and Liabilities
- A contingent asset is a possible receipt of economic benefit that may arise in the future if certain events take place.
- A contingent liability is a loss, charge or obligation that may arise in the future if certain events take place.

In both cases, these events may not be wholly within the control of the Council. Contingent assets and liabilities are not recognised in the accounts but must be disclosed in a note.

Corporate and Democratic Core
The corporate and democratic core comprises all activities in which local authorities engage specifically because they are elected democratic multi-purpose authorities. It has two elements – corporate management and democratic representation and management. The activities within the corporate and democratic core are in addition to those which would be carried out by a series of independent, single purpose bodies managing the same services.

Corporate Governance
Corporate Governance is the system by which local authorities direct and control their functions. It is described and reviewed in the Annual Governance Statement.

Council Tax
This is the source of local taxation for local authorities. It is levied on domestic properties within an authority's area and the proceeds are paid into the Collection Fund for distribution to precepting authorities and to the billing authority's own General Fund.

Creditors
These are persons to whom a local authority owes money.

Current Service Cost (Pensions)
This is the cost at present value of a defined benefit scheme's liabilities expected to arise from employees' service in the current period.

Curtailment Costs (Pensions)
For a defined benefit scheme, these arise from an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:
- Termination of employees' services earlier than expected, for example, by a restructure of operations, and
- Termination of, or amendment to, the terms of a defined benefit scheme so that some or all future service of current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors
These are persons who owe money to a local authority.

Defined Benefit Scheme (Pensions)
This comprises a pension or retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits available independently of the contributions payable. Further, the benefits are not related to the yield of the investments of the scheme. The scheme may be funded, notionally funded, or unfunded.

Depreciation
This is the annual charge to a local authority's Comprehensive Income and Expenditure Statement to reflect the reduction in the useful economic life of fixed assets after each year's use.

Discretionary Benefits
These are retirement benefits which an employer has no legal or contractual obligation to award, such as unfunded compensatory added years. They are awarded under discretionary powers, such as the Local Government (Discretionary Payments) Regulations 1996.

Emoluments
These comprise all sums paid to or receivable by employees and sums due by way of expenses, allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash.

Fair Value
The fair value is the value of an asset or liability in an arms length transaction between unrelated, willing and knowledgeable parties. Whenever possible this is taken as market value but, where there is no market, depreciated replacement cost can be used.

Finance Lease
A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to a lessee.

Financial Year
The local authority financial year runs from the 1 April to the following 31 March.

Financial Instrument
A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability in another. In practice, this covers both financial assets and financial liabilities and includes bank deposits, investments, debtors, loans, creditors and borrowings.

General Fund
This is the main non capital fund of a local authority from which all expenditure is met and into which all income is paid, with the exception of those items that by statute must be kept separate, such as the Collection Fund and the Housing Revenue Account.

Government Grants
These comprise financial assistance by government in the form of cash transfers to an authority and are the main sources of local government funding; some are general, whilst others are specific and require compliance with certain conditions.

Gross Expenditure
This is the total expenditure of a fund, before account is taken of any income.

Housing Revenue Account (HRA)
This is a statutory account that shows all income and expenditure relating to the provision, management and maintenance of a local authority's housing stock.

Impairment

This is the loss in value of a fixed asset arising from physical damage and/or deterioration in the quality of service provided by the asset or from a general fall in prices. Impairments also occur where further capital is invested in an asset which does not produce a fully matching increase in the fair value of an asset.

Infrastructure Assets
These are non current assets that have no realistic expectation of being sold and are held to deliver mostly transport services, such as roads, traffic management and road safety assets and drainage works. They are recorded at historic cost and are not revalued.

Intangible Assets
Intangible assets are defined in as ‘non financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody and legal rights’. The only example relevant to local authorities is computer software.

Interest Cost (Pensions)
For a defined benefit scheme, this is the expected increase during the year in the present value of the scheme liabilities because the benefits are one year closer to settlement date.

International Financial Reporting Standards (FRS)
These are international accounting standards, applicable throughout the European Union and many other countries (but not the United States, which have replaced UK GAAP from 1 April 2010 as the standards with which local authority accounts must comply.

Investment Property
These are non current assets held solely for the purposes of earning rentals and/or for capital appreciation. They are not used for the provision of services.

Investments (Pensions)
This comprises the share of pension scheme assets in Essex County Pension Fund attributable to the Authority and associated with its underlying obligations, as calculated by the Actuary to the Fund.

Investments (Non - Pension)
A long-term investment is one that is held for in excess of 12 months for its yield and/or capital appreciation. Most local authority investments, however, are short term and are held for cash management purposes.

Leasing
This is a means of obtaining the use of property, vehicles, plant and equipment without actually spending capital monies or owning these assets, by paying rentals. There are two types of lease, finance and operational which are described in the note on significant accounting policies.

Levies
These are amounts raised by statutory bodies from their constituent local authorities to enable them to carry out their functions.

Liabilities
These comprise an authority’s obligations to transfer economic benefits as a result of past transactions or events.

Materiality
An item of information is material to financial information if its misstatement or omission might reasonably be expected to influence the economic decisions of users of those financial statements, including their assessments of management’s stewardship.

Minimum Revenue Provision (MRP)
This is the minimum amount which must be charged to a local authority’s revenue account each year as a provision for the repayment of debt.

Net Worth
The net worth of a local authority comprises the total of its usable reserves (such as fund balances and earmarked reserves), and its unusable reserves (such as the capital adjustment account, revaluation reserve and pensions reserve).

Non Current Assets
These comprise Property, Plant and Equipment, Intangible Assets, Investment Property and Surplus Assets not Held for Sale all of which yield economic benefits to a local authority and the services it provides for a period of more than one year.

Non-Distributed Costs
These are overheads from which no service benefits and that should not be allocated over services. They include curtailments, past service costs, and the running costs of unused assets.

Non-Domestic Rate (NNDR)
This is a national tax on non domestic properties based on the ratable value of the premises occupied. NNDR is collected by a billing authority and paid into a national pool. The Government then redistributes the yield to all local authorities pro rata to their population.

Past Service Costs (Pensions)
For a defined benefit scheme, this is the increase in the present value of scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Post Balance Sheet Events
These are events which arise after the end of an accounting period. They comprise:-

- Adjusting events which provide further evidence of conditions that existed by the end of the accounting period and that require adjustments to the accounts.
- Non adjusting events which are indicative of conditions that arose subsequent to the end of the accounting period, and are reported by way of a note to the accounts.

Precept
This is an amount required by another statutory body (such as a police authority) and collected on its behalf by a billing authority as part of its overall council tax demand.

Prior Period Adjustments
Prior period adjustments are material amendments to the accounts of previous years which arise from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to affect the validity of the financial statements. Prior period adjustments do not include normal minor corrections or adjustments of accounting estimates made in prior years.

Property, Plant, Furniture and Equipment
These are assets which yield economic benefits to a local authority and the services it provides for a period of more than one year. They are assets which are held and occupied, used or consumed by the local authority in the delivery of those services for which it has either a statutory or discretionary responsibility.

Provisions
These are amounts set aside for any liabilities or losses which are likely to be incurred, but which are uncertain as to the amounts or the dates on which they will arise.

Reserves
These are amounts set aside for specific purposes. A local authority has discretion in setting aside amounts for reserves whereas the setting aside of amounts for provisions is an accounting requirement.

Revaluation Reserve

This reserve was introduced in 2007 for all local authorities and started off with a nil balance at 1 April 2007. Revaluation gains and losses are calculated on an asset by asset basis and subsequent losses can be offset against accumulated revaluation gains after which they must be charged to the Comprehensive Income and Expenditure Statement. It is classified as an Unusable Reserve

Revenue Expenditure
This is expenditure incurred on the day to day running costs of services and which does not result in establishment of assets reportable in the Balance Sheet.

Scheme Liabilities (Pensions)
These are the liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities are measured using the projected unit method to reflect the benefits that an employer is committed to provide for employees up to the valuation date.

Settlement Costs (Pensions)
These comprise irrevocable actions that relieve an employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminate significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- Lump-sum cash payments to scheme members in exchange for their rights to receive specified pension benefits,
- The purchase of irrevocable annuity contracts sufficient to cover vested benefits, and
- The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Stocks
These are the amount of unused or unconsumed supplies held in expectation of future use.

Support Services
These are services, such as finance and legal, that are not statutory local authority services but which give support to authorities' statutory (and discretionary) services.

Supported Capital Expenditure
This is the term for central government support for local authority capital expenditure financed from borrowing with effect from 1 April 2004. Under this "Prudential system" local authorities receive funding through the revenue support grant to meet the costs of specified borrowing.

Unsupported Borrowing
This is borrowing permitted to authorities under the "Prudential Code" framework but which does not receive revenue support through the grant system.

Useful Life
This is the period over which a local authority derives benefit from the use of a fixed asset.